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WORLD NEWS

Plavsic reaches deal for Serb elections to end power struggle

Biljana Plavsic, western-backed president of the Serb half of Bosnia, reached a deal on holding elections to end a power struggle that has split the territory and dragged Nato peacekeepers into conflict with nationalist Serbs. Page 14

Basque separatists shot dead
Two members of Basque separatist group Eta were killed and a Spanish policeman was slightly injured in a gun battle in central Bilbao. Page 3

French budget seeks growth
France's left-wing government announced a budget designed to boost growth and solidarity by introducing greater fiscal justice and helping job creation. Page 2; Editorial Comment, Page 13; Lex, Page 14

Polish left heads for opposition
Poland's reformed communist Democratic Left Alliance gave up hope of finding coalition partners and said it was ready to go into opposition. Page 3

No duty-free reprieve
European single market commissioner Mario Monti said attempts to prevent the scrapping duty-free sales with the European Union in 1999 were a waste of time. Page 2

Clinton in plea to unions
US president Bill Clinton urged labour unions not to turn against Democrats who support his bid for a "fast track" trade negotiating authority. Page 4

Norway seeks coalition
Three political parties hoping to form a Norwegian coalition government began talks aimed at establishing a common policy platform. Page 3

BA halts Glasgow-US flights
British Airways said it was suspending services from Glasgow in Scotland to the US because of the delay in winning approval for its American Airlines alliance. Page 10

Australian reshuffle urged
Australian prime minister John Howard was urged to reshuffle his cabinet after two ministers resigned over questionable claims for travel expenses. Page 6

Reforms aid poor nations
Economic reforms have set some of the world's poorest countries on the path of sustainable growth, the United Nations Conference on Trade and Development says. Page 9

US nuclear waste site
Legislation to force the US administration to build a central storage site for nuclear waste is gaining favour on Capitol Hill. Page 7

Vietnam picks president
Vietnam picked Tran Duc Luong, a little-known geologist, to be president. Page 6

Award over death of smoker
A Brazilian judge ordered Souza Cruz, a subsidiary of UK-based tobacco group BAT Industries, to pay damages of R$90,000 ($82,500) to the family of a man who died of an allegedly smoking-related condition. Page 7

Cigar makers fume
Cuba's cigar makers are angry over plans by a US company to launch a cigar with the same name as one of the best-known Cuban-produced Havanas. Page 14

Internet's stars begin to shine
High-tech companies have entered into competition for a new generation of stars: the "forum leaders" who stimulate discussion in the online communities of the internet. Page 7

BUSINESS NEWS

Stena plans to cut costs by freezing investment

Stena Line, the world's largest ferry company, is planning an investment freeze as part of a restructuring and cost-cutting plan. Page 15; Tough decision, Page 17

The French stock market regulator rejected Rallye's "white knight" bid for retailer Casino designed to protect it from a FFr28bn ($4.6bn) hostile takeover by rival Promodès. Page 15; Casino staff boycott SocGen, Page 17

Gucci shares fell by $11.06 to $47.19 after the Italian fashion group warned that profits growth would be slower than expected in the second half of the year. Page 15; Lex, Page 14

AT&T and Telecom Italia moved closer to an international alliance by announcing a shares exchange giving each company an equivalent stake in the other. Page 19

Sanofi shares fell in Paris after the French pharmaceuticals company dropped plans to extend use of its Skelid drug to the treatment of osteoporosis in most markets. Page 17

RWE, the German industrial conglomerate, received a boost in its attempt to simplify its share structure after the association representing dominant municipal shareholders recommended members give up their majority of voting rights. Page 17

Pinault Printemps Redoute, the French retail group, unveiled first half net profits up 26 per cent to FFr943m ($157m) in spite of continued sluggish consumer spending. Page 17

Eni, the Italian oil, gas and chemicals conglomerate, reported a 10 per cent rise in first-half net profits to L2,619bn ($1.5bn), on the back of higher operating income and a fall in net expenses. Page 19

Spanish authorities are counting on massive demand from small investors to support the forthcoming share offering in Endesa, the country's leading electricity group, in a privatisation expected to raise up to Pta1,125bn ($7.5bn). Page 19

Dassault Systèmes, the French software company, priced a secondary offering of 3.07m existing shares at FFr380 ($63.33) for every share listed on the Paris Bourse, or $63.06 for each US-listed ADS. Page 20

Poland's securities commission has cleared the sale of part of the state-owned Orbis hotel chain through an initial public offer of 40 per cent of the company's equity to investors. Page 20

Grundig's future is unclear after Pieter de Jong unexpectedly resigned as chairman of the troubled German consumer products group - the second chief to step down this year. Page 19

Vienna stock exchange has asked Deutsche Börse, continental Europe's biggest futures and options exchange, to run its share and bond markets. Page 22

Avis Europe, the car rentals group, will today become the only company on the London stock exchange to report its results in Ecus as well as sterling. Page 20

Crédit Lyonnais, the troubled French bank, will today launch the largest ever eurobond issue – FFr40bn ($6.6bn) of collateralised securities. Page 22

Shell Oil is planning to buy a Texas-based gas pipeline and storage business for $2.35bn in a move that will bolster its position in the Gulf of Mexico. Page 15

US deal marks one of the biggest ever investment banking mergers

Travelers to buy Salomon for $9bn

By Tracy Corrigan and Richard Waters in New York

Travelers Group, the US financial servicea group, is to buy Salomon, the legendary Wall Street investment bank, for $9bn and merge it with its own domestic brokerage business, Smith Barney.

The new subsidiary, to be called Salomon Smith Barney Holdings, will combine Salomon's traditional strength in fixed income and international presence with Smith Barney's expertise in equities, retail distribution, municipal finance and asset management to create a "global, full-services securities firm", the companies said yesterday.

The deal also represents the first big push overseas by Sandy Weill, former president of American Express who built Travelers through acquisition into one of America's biggest financial services group in 12 years.

"Salomon has already built a pretty big platform overseas – we are going to keep building on it," said James Dimon, chairman and chief executive officer of Smith Barney.

WALL STREET MERGER

The $9bn transactioo is one of the biggest investment banking mergers ever contemplated and will give the new company the critical mass and range of business strength to challenge dominant firms such as Morgan Stanley Dean Witter, also the product of a merger this year.

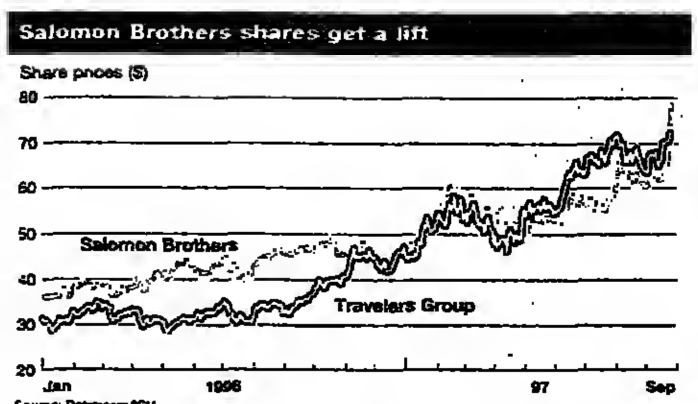
According to Smith Barney, in 1996 a combined Salomon Smith Barney would have ranked third in equity underwriting in the US, second in debt underwriting and first in the influential ranking of research analysts compiled by Institutional Investor magazine.

The deal was also expected to force other financial institutions to look again at potential acquisitions of Wall Street houses. Several smaller brokers and investment banks have been snapped up by US and foreign banks this year.

The deal valued Salomon at nearly two times its book value; a year ago, it was trading only slightly above book value.

However, Mr Weill, Travelers' chairman and chief executive officer, who is widely viewed as being an astute buyer of assets, said the "combination more than fulfils our often-stated acquisition criteria".

Salomon Brothers shares get a lift



Source: Datastream/ICV

Like other Wall Street investment banks, Salomon's shares have risen on the back of a strong bull market, though sucb profits have often proved highly cyclical.

Explaining the decision to buy Salomon at such a cyclical peak, Mr Dimon said: "This will secure our place in a global franchise. I don't care too mucb about the peak and the troughs in this business."

Salomon Smith Barney will be run jointly by Mr Dimon, who currently heads Smith Barney, and Deryck Maughan, the 49-year old British chairman and chief executive officer of Saloman. Mr Maughan, who started his career with a stint at the UK Treasury, will also be appointed a vice-chairman and director of Travelers Group. Mr Dimon remains president, chief operating officer and a director of the group.

Travelers said it had agreed to issue 1.13 of a share for each Salomon share, and that it expected the deal to be completed by the end of this year. Salomon's shares rose $6⅞ on the news, to $77⅛, while Travelers' fell 1⅞, to $70⅛.

Warren Buffett, the billionaire investor whose 18 per cent stake in Salomon has been among his worst-performing big investments in recent years, welcomed the deal.

"Over several decades, Sandy [Weill] has demonstrated genius in creating buge value for his shareholders by skilfully blending and managing acquisitions in the financial services industry," Mr Buffett said. "In my view, Salomon will be no exception."

Yeltsin backs move to fair and open market economy

By Chrystia Freeland in Moscow

A robust President Boris Yeltsin yesterday opened a new era in post-communist Russia, by declaring that the state would enforce the rules of an open and fair market economy and cut off financial barons' privileges.

A speech, delivered in commanding tones to the Federation Council, the upper house of the Russian parliament, comes at a time of conflict between the country's magnates and cabinet ministers over the future of Russia's fledgling market economy.

Mr Yeltsin was on the side of the young reform team in his government, which bas been arguing for greater fairness and transparency. "The government is laying down clear and equal rules of economic behaviour. We will ensure that these rules are followed by everyone," he said.

In one of his most impressive performances since having heart bypass surgery last year, Mr Yeltsin said be would brook no efforts by big businesses, or corrupt officials, to skew the economic rules in their favour.

"The state will not put op with any attempt at pressure from the businesses or banks. At the same time we are determined to stop any efforts by officials of any rank to set their own rules of the market game," he said.

The president's speech could mark a watershed in Russia's transition from communism to capitalism. Russians are increasingly convinced that, as Mr Yeltsin put it, "a return to the old waya is already impossible".

But the apparent defeat of communism has forced Russians to wrestle with what sort of capitalism they wish to create. At issue is whether Russia will keep its extremely close links between big business and the state, developing into a Latin American-style economy, or if it will opt for a fairer and more transparent free market system. Mr Yeltsin said in this next phase of economic development the Russian government, whicb bas sharply retreated from the commanding heights of the economy that it occupied under communism, would play a crucial role: "in itself, the market is not a panacea for all problems."

He took great pains to explain that the plans for an invigorated government role would not mean "a return to the days of Gosplan and Gossnab" – the central planning agencies whose inefficient rule created the Soviet Union's rickety communist economy. Instead, Mr Yeltsin said be advocated "a return to a state with a considered economic strategy".

Mr Yeltsin, who is expected to deliver a more detailed elaboration of Russia's economic agenda next week when he travels to Nizhny Novgorod, a cradle of market reforms, praised his government's accomplishments.

Editorial Comment, Page 13

Strong performance: Boris Yeltsin after giving his speech to the Federation Council backing the economic reforms Picture: Reuters

NEC to adopt global standard for new PCs

By Michiyo Nakamoto and Julia Cuthbertson in Tokyo

NEC has admitted defeat in its fight to maintain its proprietary PC system in Japan, and has decided to market a range based on Microsoft and Intel standards.

From next month, Japan's largest PC maker will start selling machines based on Windows 98, the next generation operating software being developed by Microsoft, and Intel microprocessors, which constitute the de facto global standard.

NEC will continue to support its 9800 series, but it expects machines based on Windows 98 to account for 70 per cent of its PC sales over the next year.

Japanese electronics companies had previously hoped that by estahlishing standards in their domestic market they could challenge competing systems in the rest of the world. NEC's move highlights the extent to which Japan has been forced towards the global standard promoted by IBM, Microsoft and Intel.

A similar pattern has been seen in telecommunications, where Japanese standarda have lost on the world stage to US or European technology. Nevertheless, NEC continued to forge ahead with its proprietary system in Japan, even after other companies had given up. Fujitsu,

Continued on Page 14

Markets

STOCK MARKET INDICES		
New York lunchtime		
Dow Jones Ind Av	7,974.24	(+4.18)
NASDAQ Composite	1,667.82	(+0.56)
Europe and Far East		
CAC40	3,023.77	(+25.54)
DAX	4,102.36	(+4.19)
FTSE 100	5,077.2	(+49.7)
Nikkei	18,420.06	(+218.78)
US LUNCHTIME RATES		
Federal Funds	5⅝%	
3-mth Treas Bills: Yld	4.937%	
Long Bond	100⅞	
Yield	6.390%	
OTHER RATES		
UK: 3-mo Interbank	7⅜%	(7¼%)
UK: 10 yr Gilt	104.75	(104.375)
France: 10 yr OAT	100.38	(100.12)
Germany: 10 yr Bund	103.59	(103.33)
Japan: 10 yr JGB	107.51	(107.52)
NORTH SEA OIL (Argus)		
Brent Dated	$18.535	(18.64)

GOLD		
New York: Comex		
(Sep)	$323.6	(322.2)
London:	$322.85	(321.25)
EXCHANGE RATES		
Dollar		
New York: lunchtime		
£	1.6127	
DM	1.77235	
FFr	5.9541	
SFr	1.45805	
Y	120.215	
London:		
£	1.6125	(1.6123)
DM	1.7717	(1.7954)
FFr	5.9532	(6.0333)
SFr	1.4587	(1.4738)
Y	119.95	(121.50)
Tokyo close: Y	119.95	
Sterling		
DM	2.8566	(2.8946)

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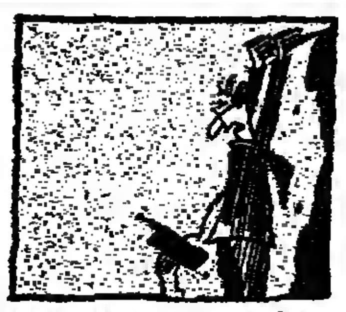
COMMENT & ANALYSIS



Handy feature: a new mobile phone offers voice dialling. Page 21

TECHNOLOGY

FINANCE

EMERGING MARKETS

French budget aimed at Emu target

By David Owen and Andrew Jack in Paris

The French government yesterday unveiled a budget it hopes will assure France's participation in the planned European single currency by cutting its 1998 budget deficit to 3 per cent of gross domestic prodnct.

The intention is to hit the target – which ministers expect to attain a year later than the date strictly required under the Maastricht Treaty criteria for economic and monetary union – largely by reining in public spending, which is expected to rise at less than half the anticipated rate of economic growth.

Nonetbeless, a series of measures, including the abolition of certain tax breaks and increased duties on fuel, will result in FFr14bn ($2.4bn) more being raised in tax revenues than would otherwise have been the case.

These measures will affect business and households, with some FFr9bn of the overall figure expected to come from companies. The corporate sector had already suffered st the hands of Lionel Jospin's Socialist-led government in July through the decision to temporarily lift the rate of corporation tax for large companies from 36.6 per cent to 41.6 per cent.

The government has also decided not to proceed with tax cnts planned by the previous centre-rigbt administration of Alain Juppé.

Dominique Strauss-Kahn, finance and industry minister, said these measure would have cost the government rbout FFr12bn.

Details of the most important tax reform – a move to shift more of the burden of financing France's generous welfare system away from workers – are set to be announced by Martine Aubry, employment and solidarity minister, later this week.

However, Mr Strauss-Kahn yesterday confirmed this would ba achieved by sharply increasing the rata of France's Contribution Sociale Généralisée, a broad-based tax levied on all incomes, and correspondingly reducing social security contributions levied on wage earners. CSG is currently levied at 3.4 per cent.

The government is now predicting that this year's deficit will come in at 3.1 per cent, marginally above the strict Maastricht requirement, but well below the more than 4 per cent level for 1996. Securing the additional 0.1 percentage point improvement to 3 per cent in 1998 has proved more difficult than it might seem, largely because of tha presence in this year's arithmetic of a one-off FFr37.5bn payment by France Telecom.

Tha government has bean obliged to limit the planned rise in its 1998 spending to 1.36 per cent, marginally below the expected inflation rate. The main casualty is defence, whose overall budget is down 2.1 per cent to FFr283bn, with the equipment budget particularly hard hit. Winners include the employment and solidarity department and the justice ministry.

Lex, Page 14

Few surprises as Socialists keep to mantra

Package designed to boost growth and solidarity through fiscal rectitude and job creation

By Andrew Jack

For France's leftwing government, the 1998 budget unveiled yesterday was designed to boost growtb and solidarity by introducing greater fiscal justice and helping job creation.

For its critics, it contained few surprises after leaks over the past few weeks, and did little to tackle the longer-term structural problems facing the country.

Dominique Strauss-Kahn, the economics, finance and industry minister, yesterday maintained his long-standing mantra that the budget involves no additional "fiscal pressure". His justification was that, according to the government's predictions, gross domestic product will grow by 3 per cent next year, while taxes will increase more slowly – by a little under 1 per cent.

These growth figures – on top of 2.2 per cent predicted for 1997 – help explain why the challenge of meeting the budget deficit which seemed so difficult for the previous centre-right government a few months ago now appears more surmountable. It also explains why Mr Strauss-Kahn is so confident that France will achieve the Maastricht criterion for monetary union of a budget deficit of 3 per cent of gross domestic product – albeit in 1998, rather than as originally intended in 1997 (wben the figure is now put at 3.1 per cent). If the growth targets are achieved, they will help raise most of the additional tax reveoue generated during 1998. The targets are at the upper end of independent economists' projections, and depend on assumptions including stable interest rates and an exchange rate of FFr6 for every dollar. Eric Chaney, an economist with Morgan Stanley in Paris, called them "optimistic but realistic".

The thresholds for income tax were increased by 1.1 per cent, with the top rate of 54 per cent levied from 1998 on all revenues greater than FFr291,270 ($48,950) a year.

While tbere are no new taxes, the government did unveil a range of measures which will increase the burden for some individuals and companies, designed to generate additional income of FFr15bn. Some FFr5bn comes from households, from a range of measures including the suppression of tax reliefs for those employing home-helps.

The remaining FFr9bn in tax rises affects the corporate sector. It includes new restrictions on provisions covering depreciation and fluctuations in the prices of raw materials. At the same time, there are new incentives for employers who create new jobs and entrepreneurs starting companies.

The calculations of tax come ahead of the additional levies to be announced this week which will be imposed on household revennes under the so-called CSG (Contribution Sociale Généralisée) regime, designed to reimburse France's social security deficit, and which is expected to rise by 4.1 percentage points.

On the expenditure side, the government argues that expenditure will be frozen in real terms, with a growth in the total spending of 1.36 per cent to FFr1,585bn in 1998 offset by inflation of 1.4 per cent. However, it offered little indication that it would reduce the size of the public sector, arguing thet of tha FFr21bn increase in spending, FFr19bn was the result of rising salaries, social charges and pension costs which it described as "particularly rigid".

Indeed, the total number of civil servants is predicted to rise by 490 to 1.7m in 1998, in addition to a net increase of 9,300 employees to 405,000 in the defence sector following the decision to phase oot compulsory military service and to professionalise the French army. The budget includes FFr8bn to fund the government's new youth job creation programme, which is designed to pay most of the cost of 150,000 posts by the end of next year.

In line with the Socialists' electoral priorities, the ministry of employment is one of a number of government departments to receive increased spending allowances next year. The others include education, justice and regional development, as well as culture, which is moving towards an objective originally set by President Jacques Chirac of 1 per cent of spending.

Dominique Strauss-Khan
French finance minister

Seselj toughs it out among the hard men of Serbia

Controversial leader of Radical party appeals to those ground under by deprivation and corruption, writes **Guy Dinmore**

Vojislav Seselj, leader of Serbia's resurgent ultra-nationalist Radical party, has never shied away from controversy.

Jailed by the communists in the 1980s for plotting a Greater Serbia, he later became a paramilitary leader organising mass expulsions of Moslems and Croats during the wars in former Yugoslavia.

On Sunday, when his party came close to toppling the ruling Socialists in parliamentary elections – his Radicals more than doubling their share of the 250-seat assembly – Mr Seselj again declared that Serbia's western borders should be redrawn to swallow up large chunks of Bosnia and Croatia. "The Serbian Radical party will definitely reach these borders one day. We will never give this up," he declared. Final results are expected to confirm today that the Radicals won more than 80 seats in the republican parliament. The leftwing block led by Yugoslav President Slobodan Milosevic is sure to lose its majority and will end up with about 110 seats split among the three coalition partners.

Mr Seselj has also forced Zoran Lilic, the Socialist candidate, into a second round run-off for the Serbian presidency to be beld on October 5.

Mr Seselj's enemies denounce him as a fascist whose social demagoguery and egalitarianism appealed to voters fed up with years of economic deprivation, corruption among the ex-communist elite and isolation by a hostile west. A bombastic hulk of a man who destroys his political opponents in television debates, Mr Seselj happily declares himself a nationalist who has stuck to his views, unlike the deviations of the neo-communists and much of the opposition.

His party programme calls for a united Serbian state to be called Greater Serbia, cured from the "disease" of communism and blessed with a free-market economy and social welfare system. "The Serbs are the main national and political force on the Balkans and the nation to negotiate with, not to be blackmailed," his manifesto pronounces in a warning to the US. The 64-page document ends with a pledge to fill the "amusement and entertainment" needs of everyone, so that young people should be diverted from "wandering along streets and other forms of anti-social behaviour".

Born in the Bosnian capital Sarajevo in 1950, Mr Seselj was a brilliant law student and Yugoslavia's youngest doctoral candidate. His thesis was "the political foundations of militarism and fascism".

He became a prominent dissident after being jailed in 1984 for 22 months for "counter-revolutionary" activities. He advocated the abolition of Montenegro and "bogus" Bosnia and the expansion of Serbia.

Such views earned him recognition from Mr Milosevic, then a communist apparatchik who was later to stoke up latent nationalism among Serbs in fuel his own rise to power.

Yugoslavia's violent disintegration followed. Mr Seselj played a role in the early days of the war, supplying paramilitary units that took part in the expulsion of non-Serbs from eastern Croatia and Moslems from the Bosnian border with Serbia.

But as the war turned against his proxies, Mr Milosevic negotiated peace under intense pressure from western governments. Mr Seselj, however, did not waver and turned against his former mentor.

After one massacre that led to the outbreak of war, Croats accused Mr Seselj's thugs of gouging out the eyes of Croatian policemen. Asked on television if his men still used knives as had the Chetnik nationalists in the second world war, Mr Seselj said no, they used rusty spoons instead. Later he insisted he was joking.

Together with Vuk Draskovic, now leader of the pro-monarchy Serbian Renewal Movement which will have about 45 seats in the next parliament, Mr Seselj founded his first political party in 1990. The two nationalists were close friends. Each served as best man at the other's wedding. But politically they fell out. Mr Draskovic started to campaign against the war and Mr Seselj founded his own Radical party.

Given their close personal history a coalition between the two is not impossible. "This is tbeir best chance to overthrow communism," said one fearful official in the present government.

Analysts believe, however, that the most likely outcome is an alliance between Mr Draskovic and Mr Milosevic at the expense of the radical nationalist.

As mayor of Zemun, a charming Belgrade suburb on the banks of the Danube, Mr Seselj has earned a reputation as a dynamic man of action who keeps close to the masses by opening his office weekly. Water supplies are fixed, houses built and small businesses catered for.

But there was also controversy over the expulsion of some ethnic Croats from municipal properties; Mr Seselj said they were no longer entitled to them after taking Croatian citizenship.

That row came to a climax during a recent television debate when a lawyer defending the Croats was insulted by Mr Seselj and he retaliated with a glass of water. The programme broke up and the lawyer was badly beaten backstage by Mr Seselj's bodyguards. "He slipped on a banana skin," Mr Seselj explained. "Several times."

Seselj: wants borders redrawn to create a Greater Serbia Reuters

Brussels confirms end of duty-free

By Emma Tucker in Brussels

Mario Monti, the European single market commissioner, yesterday hit back at campaigners for the preservation of duty-free sales in the European Union, saying their attempts to overturn a 1992 decision to scrap duty-free sales were a waste of time.

"You were given 7½ years to prepare for the end of duty-free sales to travellers within the single market in June 1999," said Mr Monti. "It's high time you used this time constructively instead of trying to turn the clock back."

Mr Monti was responding after a highly charged meeting in Brussels between the European Commission and representatives of the duty-free lobby in which Mary O'Rourke, the Irish minister for public enterprise, warned that scrapping duty-free could affect up to 140,000 jobs and would have dire consequences for regional air and ferry ports.

Ms O'Rourke is one of a tiny number of EU ministers who have joined forces with the duty-free lobby to call for a 1992 decision to abolish duty-free sales to be renegotiated.

The decision, taken unanimously by EU finance ministers, was part of taxation and excise measures introduced to make the single market a reality. A 7½-year traosition period was granted to allow duty-free shop operators and suppliers to find alternative ways of carrying on business.

"Seldom in the history of the EU has so much money and time been spent by such a wide coalition of interests on trying to reverse a council decision," said Mr Monti. "But in this case the decision is not going to be changed."

The European Commission argues that in a single market, duty-free sales are an anomaly and a massive tax subsidy for the duty-free industry.

"Ordinary tax payers who don't travel internationally are subsidising those of us who travel pretty frequently on International flights," said James Currie, director general of the Commission's customs and indirect taxation directorate.

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Landesbanks' role under threat

By Edward Luce in London

Tbe cosy relationship betweeo the German state and the landesbanks – the 12 regional development banks – has been an enduring feature of the postwar economy. Their role as a vital prop for the country's oetwork of local savings banks bas long been considered untouchable by Germany's political elite.

All this, however, could be tbreatened if, as seems likaly, tbe European Commission launcbes a formal investigation into claims that WestLB, the country's largest landesbank, received unlawful subsidies of up to DM5.9bn ($3.33bn).

Germany's private banking sector claims the equity injection that WestLB received is the thin end of the wedga. More importantly, Germany's private sector claims that it has been put at a severe competitive disadvantage by the state guarantee for the coontry's landesbanks and other publicly owned banks.

At issue is the benefit landesbanks gain from having AAA credit ratings from the leading international credit rating agencies. This enables the landesbanks to raise capital from tbe international bond markets at a mucb lower cost than they would without the state guarantee.

This not only "crowds out" funding for the German private sector but also enables the landesbanks to undercut the private sector by offering cheaper corporate loans.

"The state guarantee for the landesbanks covers unlimited liability, which is almost certainly in breacb of the EU's competition rules," said an analyst from a leading credit rating agency. "This unlimited guarantee enables the credit rating agencies to give them much higher credit ratings tban some would get otherwise."

Banks such as Dentscbe Bank, Dresdner Bank and Commerzbank have held back from formal complaints about the state guarantee for fear of a political backlash.

Mindful of the popular attachment of the German electorate to tbeir local savings banks, Cbancellor Helmut Kohl has robustly defended the privileges of the landesbanks.

"German citizens have a very strong sentimental attachment to their local savings banks," said a senior official at a private sector bank in Frankfurt said: "It would be very easy for the politicians to present such a complaint as 'big bad private sector attacking the local community savings bank'."

But in the past two years, Germany's leading landesbanks have become the single largest category of borrowers in the $300bn-a-year eurobond market, whilst also moving aggressively into other markets, incindlng French municipal loans, where, according to one Frankfurt-based analyst, they have "cut lending margins to shreds".

Whichever way the EC rules on the specific complaint against WestLB, bankers say the broader issue of the state guarantee is unlikely to go away. More probably, as the landesbanks expand outside their domestic market, Germany's aggrieved private sector will be joined by its counterparts in neighbouring countries.

NEWS DIGEST

Yeltsin to sign religion bill

The Federation Council, the upper house of the Russian parliament, yesterday unanimously passed a disputed new draft law on religion, which human rights activists warn could sharply curtail religious freedom in Russia.

The law, which was approved last week by the Duma, the lower house, still needs to be signed by President Boris Yeltsin. Kremlin officials have said he is likaly to sign the bill, despite strong western criticisms which were affirmed in Moscow this week by Al Gore, the US vice-president.

Opponents of tha law fear it could limit freedom of worship and criticise ing it for setting out excessively tough rules for registering religious groups. But it has been heavily backed by the politically well-connected Russian Orthodox Church, which is keen to secure its position as Russia's dominant religion and is concerned by possible encroachments by Catholicism, Protestant evangelism and other groups.

Its defenders say it is designed to protect people against authoritarian religious sects to which Russians, impoverished by the economic transition and left spiritually hungry by seven decades of communism, may be particularly vulnerable. *Chrystia Freeland, Moscow*

■ GERMAN ECONOMY

Business outlook improves

Signs of economic recovery in Germany strengthened yesterday with news of growing business optimism, lower inflation, a continued strong trade performance and some improvement in the public finances.

The Munich-based Ifo economic research institute reported that industry in western and eastern Germany planned to increase output in the months ahead, with the institute's business climate index for western Germany rising to 98.9 last month from 98.1 in July.

Fears that stronger growth and this year's decline in the D-Mark were fuelling inflation eased after provisional official figures pointed to a drop in the annual rate of inflation in western Germany in 1.8 per cent this month from 2 per cent in August.

The statistics office also published slightly better news on Germany's public finances: the overall public deficit in the first half was DM79.2bn ($44.7bn); down DM1.6bn on the same period last year. Earlier this month, the office announced that the 1997 first half deficit was 3.1 per cent of GDP, according to the definition used for European economic and monetary union.

However, yesterday's economic news held out little hope of an early decline in Germany's 4.46m seasonally adjusted jobless total.

● The Bonn cabinet yesterday agreed a draft law to speed the introduction and use of the euro in German businesses after the planned starting date for the single European currency on January 1 1999. Edzard Schmidt-Jortzig, justice minister, said the legislation would adapt company law so that firms could denominate their capital and shares in euros. *Peter Norman, Bonn*

■ ETHICAL INVESTMENTS

Cigarette group questioned

SPP, one of Sweden's largest insurers, yesterday said it had become the country's first institutional investor in flex its corporate governance muscles by seeking assurances from Swedish Match, the cigarette manufacturer, over its ethical policies.

The insurer, which controls assets worth SKr300bn ($40bn) and holds more than 4 per cent of Swedish Match, said it had asked the company to prove that it was working on less harmful cigarettes and avoiding marketing campaigns aimed at young people.

Other institutional investors in the cigarette manufacturer, including insurers Trygg Hansa and Skandia, have sold their stakes, partly under pressure from consumer groups.

Swedish Match, which boasts 50 per cent of the country's cigarette market, said yesterday it would meet SPP in January in assuage its concerns. A spokesman said the company – best known for its Blend, John Silver and Right brands – was confident thet it already operated ethical marketing and production policies.

Nevertheless, several large insurance groups have sold a combined 15 per cent holding in Swedish Match since it was floated last year. *Tim Burt, Stockholm*

■ UKRAINIAN POLITICS

New law favours big parties

The Ukrainian parliament yesterday passed a controversial new election law which could strengthen the larger leftwing parties in the March 1998 elections, though it may still be vetoed by President Leonid Kuchma.

Strong political parties could tip the constitutional balance of power against the president in a long-running power struggle between him and parliament.

The new law stipulates that half of the 450 members of parliament will be elected according to the number of votes mustered by their party list, while the other half will continue to be elected directly. Previously, all deputies had been elected directly.

Party-list seats will be restricted to parties that can muster 4 per cent or more of the vote. This would give a decisive advantage to large and better-organised parties which could make it over this 4 per cent cut-off, such as the Communist party. *Charles Clover, Kiev*

■ ROMANIA SCANDAL

Spy charges challenged

President Emil Constantinescu demanded yesterday that the Romanian foreign minister, Adrian Severin, substantiate his accusations that unnamed leading politicians, newspaper editors and other public figures are spying for foreign intelligence agencies.

Mr Constantinescu told the National Defence Council that Mr Severin should send his evidence in the Romanian intelligence services. This Mr Severin has promised to do as soon as be returns from New York, where he is attending the UN General Assembly.

In a statement before he left Bucharest on Tuesday, he said that he has material which "proves beyond doubt" that "two or three party leaders – among them some of the most respected – are agents well paid from abroad".

Accusations of spying have been common in Romanian politics over the past seven years, but this is the first time they have come from within the ranks of the reformist coalition which took power last November. However Mr Severin's statement is being taken by Romanian and foreign observers as evidence of deep tensions within the ruling coalition. *Anatol Lieven*

■ GERMAN PRIVATISATION

Airport bidder selected

The state government of North Rhine-Westphalia selected the consortium of Harpen, a German property group, and Airport Group International of the US as the "preferred bidder" for the state's 50 per cent stake in Düsseldorf airport.

A rival consortium of Hochtief, the German construction company, and Aer Rianta, the Irish airport manager, were nominated as "stand-by" candidate. The state and the city of Düsseldorf will now negotiate terms with the Harpen-led group. *Peter Norman, Bonn*

Brussels tots up cost of bank rescue

By Emma Tucker in Brussels and Andrew Jack in Paris

A study by the investment bank Lehman Brothers suggests that Crédit Lyonnais, the ill-fated French state bank, may cost the French state a total of FFr110bn ($18.2bn), according to European Commission sources.

The Commission is studying the recently delivered report, which will form the basis of its decision on new rescue measures for the troubled bank by the end of the year.

Brussels approved an initial capital injection of FFr45bn to the bank in 1995, which it tied to a comprehensive rescue and restructuring plan. However, when that plan did not achieve the expected turnaround the French government had to ask permission only a year later to give emergency aid of FFr3.9bn.

The Commission granted the aid pending submission of a new rescue plan, delivered over the summer.

Crédit Lyonnais is not expected to get any new cash injection from the French state, but the Commission has to decide whether to agree to the waiving of the costs of a FFr135bn loan Crédit Lyonnais made at below-market rates to a holding company which last year took over many of its poorest performing businesses.

Crédit Lyonnais executives are, meanwhile, continuing to pursue their plan of selling off assets, turning the company into a universal bank within France and acting for large companies and providing other specialised services elsewhere.

Jean Peyrelevade, the chairman, said last week that objectives in the bank's original 1995 rescue plan to sell off a third of its international activities and up to half its non-French European activities would have to be renegotiated.

However, he said the revised business plan pledged an even higher proportion of total asset sales by the year 2000 than was contained in the previous version.

Mr Peyrelevade has repeatedly stressed he is not planning to dispose of BfG, the German bank in which it has the controlling stake, and which would generate heavy capital losses if it was sold.

However, it emerged yesterday that one possibility under discussion by the bank is to sell off some of BfG's own international subsidiaries, which would reduce the overall size of Crédit Lyonnais' assets.

Since the replacement of the chairman of BfG earlier this year, Crédit Lyonnais has begun to gain increasing power and co-operation with other members of the bank's board.

Crédit Lyonnais has already sold a number of its foreign subsidiaries.

Shooting boosts anti-Eta campaign

By Tom Burns in Madrid

Two members of Eta, the Basque separatist group, including a man named as leader of one of its deadliest units in the Bilbao area, were killed yesterday and a policeman slightly injured in a gun battle with police in central Bilbao.

Police said the two, who had been under surveillance for several days, had drawn weapons when approached by plain clothes security officers. Jaime Mayor Oreja, the interior minister, said the killing of Salvador Gaztelumendi Gil had shattered the Vizcaya Commando, which the Eta man had commanded and which has assassinated four people this year.

The shooting provided a boost to the launch of a new government propaganda campaign against the Eta militants, involving a controversial video issued by the interior ministry and aimed at opinion-makers outside Spain.

The video charts a 30-year campaign of Eta violence that has claimed 761 victims, 305 of them civilians. The video seeks to counter the "freedom fighter" image that the separatist organisation has sought to project by focusing on democratic freedoms in Spain, the carnage caused by Eta car bombs and the public outrage over terrorist tactics.

However, the campaign was criticised by the Basque provincial government, which enjoys wide-ranging home rule powers and is run by moderate nationalists. It accused the interior ministry of breaking away from a consensus on how to deal with terrorism.

Officials in Madrid said that although the video was "tough", the reality of Eta terrorism was "tougher still" and that no consensus was required to highlight it to the rest of the world.

Yesterday's shootings are likely to prompt protest demonstrations by Eta supporters and put further strains on the uneasy alliance against terrorism between moderate nationalists and Madrid-based politicians.

The moderate Basque Nationalist party is frequently accused of being lukewarm in the all-party attempt to isolate the radicals and it is accused by Herri Batasuna, the political party that supports Eta, of collaborating with the central government.

Spaniards protesting against Eta violence after the killing of local councillor Miguel Angel Blanco in July: Can Madrid persuade foreigners to share the rage? Reuters

The 15-minute video, which has already been screened by the state-owned television networks, will be given today to press attachés at Spanish embassies in Europe, the Americas and North Africa who have been recalled to Madrid in order to co-ordinate the interior ministry's propaganda drive against Eta. Officials said diplomats will deliver the videos, which have been recorded in five languages, to opinion-makers in the countries where they are serving.

They said they were especially concerned about "distorted" views in specific countries such as Belgium, Mexico and Venezuela where the government has in the past encountered difficulties over extradition requests for wanted Eta members.

The ministry believes between four to six Eta units are operating in Spain, each comprising four members, and that an estimated 200 members of the organisation are "in reserve" outside Spain mostly in France.

The unprecedented video initiative seeks to maintain the momentum of public revulsion that followed the shooting on July 12 by Eta of Miguel Angel Blanco, a young councillor in the Basque town of Ermua who had been kidnapped by separatists 48 hours earlier. He was killed after the government refused to regroup jailed members of the organisation in prisons in or near the Basque Country. Hundreds of thousands of people took part in protests against Eta.

Norwegian parties begin talks on coalition

By Tim Burt in Stockholm

The three political parties hoping to form a coalition government in Norway yesterday began talks aimed at establishing a common policy platform.

The Christian People's party, or Christian Democrats, said the discussions with the Liberal and Centre parties – expected to last about three weeks – would try to resolve policy differences, particularly over Norway's membership of the European Economic Area.

The Centre party opposes Norwegian membership of the EEA, while the Liberals and Christian People's party support it. The parties are also at odds over taxation, with the Liberals seeking cuts in income tax while the Centre and Christian People's party are calling for increases for high-wage earners.

Both the Liberals and Christian People's party, meanwhile, oppose Centre party demands for Norwegian oil output to be cut by 10 per cent to preserve natural resources.

If the differences can be resolved, the parties are expected to form a centre-right coalition next month following resignation of the minority Labour government.

Thorbjorn Jagland, the prime minister and Labour party leader, has vowed to resign after failing to capture 36.9 per cent of the vote in this month's parliamentary election. Mr Jagland is likely to offer his resignation after presenting the outgoing government's annual budget on October 13.

King Harald is expected to ask Kjell Magne Bondevik, parliamentary leader of the Christian People's party, to form a new administration even though the prospective Centre government – as the coalition is to be known – polled only a combined 26 per cent of the vote. Labour, by comparison, polled 35.2 per cent.

Gunnstin Inste Fjord, a political adviser to Mr Bondevik, said yesterday that one of Mr Bondevik's main priorities was to seek support from his coalition partners against Norway signing the Schengen treaty, which seeks to lift border controls among EU member states. Although Norway voted in 1994 to remain outside the EU the previous government supported moves to sign the Schengen treaty.

Polish left prepares for opposition role

By Christopher Bobinski in Warsaw

Poland's Democratic Left Alliance (SLD), the group of the reformed communists, yesterday relinquished hope of finding coalition partners for another four years in government and declared it was ready to go into opposition. It said it would support economic reforms as well as the country's efforts to join the European Union.

With final results of last Sunday's election due to be published today, the victorious Solidarity Electoral Alliance (AWS) is preparing for talks with the pro-business Freedom Union (UW) on the terms for setting up a majority government coalition which would leave the SLD isolated in parliament.

Maanwhila Aleksander Kwasniewski, who led the former communists until he was elected president two years ago, is positioning himself for a spell of cohabitation with the fiercely anti-communist AWS and the UW at the risk of worsening relations with the SLD.

Yesterday SLD officials criticised Mr Kwasniewski for suggesting that the party should sack Jozef Oleksy, their leader, at the former communists' next congress in December. Jerzy Szmajdzinski, the party's general secretary, said yesterday that public criticism of Mr Oleksy by the president only strengthened his position in the party. Although it lost power, the SLD performed strongly in the election.

Mr Kwasniewski's attack on Mr Oleksy is designed to win favour with the Freedom Union, which would regard the idea of an alliance with the SLD more favourably if Mr Oleksy was dropped.

Mr Oleksy was forced to resign as prime minister two years ago after unsubstantiated accusations of spying for the Russians were made against him.

Yesterday Leszek Miller, who is a contender for the SLD leadership, hinted that the alliance would like to see a mid-term switch in alliances by the Freedom Union. Mr Miller said that the SLD would not necessarily stay in opposition for the entire four years of the new parliament.

Mr Kwasniewski has also revealed that he played a role in securing the recent pardon for Ryszard Kuklinski, a senior Polish officer who spied for the United States from 1972 to 1981, whose case had become a *cause célèbre* for the right wing of the AWS.

Bangemann call for aerospace restructuring

By Emma Tucker in Brussels

The European aerospace industry is too fragmented and is in urgent need of restructuring, according to a Commission report to European Union governments presented yesterday.

Speaking in the wake of the merger between Boeing and McDonnell Douglas, Mr Martin Bangemann, tha EU industry commissioner, said Europe's civil and military aircraft and components makers had to be regrouped to prevent them being wiped out hy bigger players.

He said the US industry had been rationalised from 20 companies in 1980 to just three main suppliers now. By contrast Europe still had six companies making civilian aircraft, aix making fighters, three halicopter producers, 12 misaile producers, six hig defence electronics companies and five manufacturers in the field of satellites.

"Even if all these firms were to merge, they would still ha smaller than Boeing," said Mr Bangemann.

He also suggested competition rules ought to be relaxed to permit restructuring. The Commission had made a huge mistake when in 1990 it blocked Aerospatiale of France and Italy's Alenia from buying de Havilland of Canada for fear it would create a dominant position in the market for regional aircraft.

Europe's share of the market, which had stood at 70 per cent, was now 3 per cent: "Now we are being over taken hy the Brazilians and the Indonesians."

The papar sets out tha pros and cons of various scenarios. Mr Bangemann said he favoured restructuring into clusters covering several market segments. They could he sector-specific or multi-sectoral.

He said he boped European governmenta would heed the Commission, which has no power in the defence field. Rasponsihility for restructuring lies with the industry itself and national governments. However, he put forward a series of recommendations for helping the process along:

- Making aerospace a priority for EU-funded research programmes.
- Increasing competition in the dafence sector by extending single-market rules on public procurement to cover it.
- Rapid adoption of the European Company statute which would make it easier for companies such as Airbus, the four-nation consortium, to establish itself as a single private company.
- Creation of a European Civil Aviation Authority to ensure a uniform certification process.
- Intensifying of European standardisation activities to stop US industry norms having a global monopoly.

Macedonia agrees bank sale

Macedonia has taken a step towards financial stability hy agreeing to sell a controlling stake in Stopanaka Banka, its biggest commercial bank, to three international investors, Kerin Hope reports from Athens.

Confidence in the former Yugoslav republic's banking system was shaken by the collapse in February of pyramid finance schemes operated by aeveral private savings institutions. One savings house, TAT, collapsed after investing an estimated $10m in schemes in neighbouring Albania.

The arrest of Tome Nenovski, deputy governor of the central bank, for alleged involvement in the scandal highlighted the problems of regulating Macedonian banks and savings houses.

The finance ministry has approved the sale of 55 per cent of Stopanska to Giro Credit, the Austrian bank, the European Bank for Reconstruction and Development and the International Finance Corporation, the private sector lending arm of the World Bank.

Giro Credit will take a 36 per cent stake in Stopanska and will manage the bank. The deal is valned at DM31.7m ($17.6m), Stopanska officials said.

"The introduction of western banking practices at Stopanska should help promote confidence in the banking system and also provide a reliable channel for disbursement of international funding," a Macedonian official said.

Clinton in fast-track plea to unions

By Nancy Dunne in Washington

US President Bill Clinton yesterday urged US labour unions not to practise "the politics of abandonment" by turning against Democrats who support his bid for new trade negotiating authority.

The unions oppose "fast-track" negotiating authority under which Congress promises not to amend completed trade deals but to vote them through or turn them down. Union leaders argue that trade liberalisation leads to the loss of American jobs to low-wage countries.

The president hopes to counter some union opposition and spoke after the AFL-CIO, the umbrella group for most US labour unions, spent $1m on anti-fast-track television adverts targeted towards 13 districts of undecided congressmen and California. Rallies, demonstrations and mail campaigns are planned throughout the country.

Speaking at an AFL-CIO convention, Mr Clinton was greeted with polite applause – and a few hisses and boos – as he reeled off his administration's achievements. "I have vetoed every piece of anti-labour legislation that has crossed my desk and will continue to do so," he said.

Many congressmen, who agree with him on trade, also stood on the side of labour on healthcare, education, and environment, he said. "They fought with you against attempts to repeal the prevailing wage law, to weaken unions and workplace health and safety laws. They did so in the face of intense pressure," he said.

Mr Clinton outlined his trade policies and said that without export expansion the US could not continue to create "good jobs". Most of the future growth will be in the 20 developing countries which will move into the ranks of middle income nations in the next century, he said.

"If we want to keep the 22 per cent of the world's wealth we have as 4 per cent of the world's people, then we have to sell something to the other 96 per cent."

Mr Clinton warned that European leaders "have gone to South America to tell them that the US no longer cares about their markets or the co-operation and leadership that goes along with working with them," he said. "They say that their future should be with Europe and they should organise to give Europe considerations and breaks in opening their markets and leave us out."

The US had to recognise the world economy was "on a fast track". "Every month – every month – millions and millions of new contacts are made on the internet. It's exploding like nothing ever has, creating all kinds of networks of commerce. . . We have to figure out know it will work for us."

Ron Carey, president of the Teamsters union, which got help from Mr Clinton in the recent UPS strike, accused him of tilting "more toward big business than toward working families".

Japan targets Europe in car export drive

By Michiyo Nakamoto in Tokyo

Japanese car manufacturers are boosting their exports to Europe because of a slump in the domestic market and growing friction over Japan's trade surplus with the US.

Monthly car exports to Europe have risen by double digits for most of this year, surging in the months after Japan's consumption tax was raised in April and growing 55 per cent year-on-year in June and 50 per cent in July.

The sharp rise in Japanese vehicle exports to Europe has been a significant factor behind Japan's growing trade surplus with the European Union, which increased 96 per cent in August to Y150bn ($1.2bn).

The trend to target Europe is expected to continue as domestic sales have fallen every month since April.

Mitsuo Horiuchi, minister of international trade and industry, yesterday said he would ask Japanese carmakers for restraint in exports to the US because of concerns that the United States Trade Representative could include Japan on its so-called Super 301 watchlist.

Toyota's president, Hiroshi Okuda, said his company had not increased exports to the US for fear of rekindling trade friction.

Against this background, "there is no question that Europe has been made the target of Japanese carmakers' attempts to counter the weakness of the domestic market," said Takaki Nakanishi, industry analyst at Merrill Lynch in Tokyo.

While the yen's weakness against European currencies has been a factor behind higher exports, the launch of new models and strong marketing efforts indicate that Japanese carmakers are pushing into Europe more aggressively than in the past, analysts believe.

In particular, manufacturers are aiming at the market for smaller vehicles, with engine capacities of between one litre and 1.5 litres, said Christopher Redl, industry analyst at ING Barings in Tokyo.

"There is a clear sign that Japanese carmakers are going for first-time buyers, to cultivate their foothold in the European market just as they did in the US," he notes.

Japanese carmakers have exported about 61 per cent of the volume allowed under a monitoring agreement between the EU and Japan.

This agreement calls for Japanese vehicle imports into the EU to remain under 1,092,000 units in the 1997 calendar year.

Analysts expect the Japanese to increase their share of the EU market once monitoring is abolished after 1999.

Telecom carriers to fight cuts in charges

By Louise Lucas in Hong Kong

Hongkong Telecom is joining moves to challenge US regulators' proposals to reduce charges for international calls.

KDD, Japan's largest international telecommunications carrier, said this month it would take legal action against an attempt by the US Federal Communications Commission to cut the international settlement rates that carriers in one country pay to have their calls completed in another.

Hongkong Telecom said yesterday it expected the petition to be supported by other telecoms companies in the region.

The FCC last month moved to mandate lower US settlement rates within the next four to five years.

"Asian carriers feel very strongly about this unilateral move by the FCC," the company said. "Should it go ahead, the whole telecoms scene in the region will be thrown into chaos."

Lower tariff rates in the US means there are more outgoing calls to Asia than incoming to the US – resulting in a net payment to Asian carriers for completing the calls.

According to Merrill Lynch, US carrier net outpayments to foreign telecoms companies totalled $5.4bn last year, with Asian countries such as China, Hong Kong and India among the highest net recipients.

According to Gautam Kapoor, regional telecoms analyst at ING Barings, net earnings at Hongkong Telecom will decline 9.5 per cent as a result; those at Singapore Telecom will drop by just 1.7 per cent.

Analysts put the revenue loss to Hongkong Telecom at around $160m, a reflection of the high US settlements paid to the carrier. It is estimated that it receives more than $200m in payments from the US.

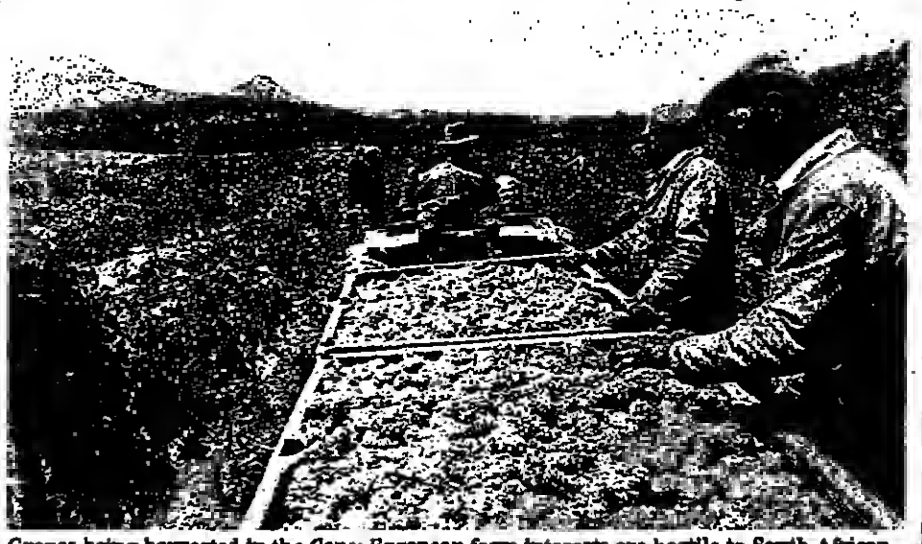
Hongkong Telecom and KDD of Japan are taking the most aggressive stance against the FCC because they would be the worst hit. KDD estimates that its receipts from US carriers would be reduced to one-third of their current level.

Hongkong Telecom says that reducing its settlement rate from the current 46 US cents to seven US cents – over a staggered timetable – would also have implications for its domestic calls, which are free of charge except from public call boxes. Under a cross-subsidy arrangement agreed with the Hong Kong telecoms regulator, 29 of the 46 cents are used to subsidise local calls – a system in operation throughout Asia.

Adam Quinton, regional telecoms analyst at Merrill Lynch, said the main way Hongkong Telecom could recoup revenue was by cutting its net outpayments to China Telecom, the operations arm of the Ministry of Posts and Telecommunications. This would require sensitive renegotiations over interconnection.

Unhappy South Africans sign up for Lomé treaty

Mark Ashurst reports on the troubled trade relations between the EU and Pretoria



Grapes being harvested in the Cape: European farm interests are hostile to South African agricultural exports

As Europe's trading partners in Africa, the Caribbean and the Pacific begin discussing the future of the Lomé Convention, their newest recruit is trying to repair its reputation as a thorn in the side of the European Union.

Lomé III, the current version of the 22-year-old treaty governing trade relations between the EU and some of the world's poorest countries, expires in 2000. Recent talks to establish common interests among the APC countries have coincided with South Africa's imminent admission as the 71st member.

South Africa is expected to accept "qualified" membership of Lomé later this year after almost three years of fraught negotiations between Pretoria and Brussels.

Admission would mark the end of the first phase of negotiations between the EU and post-apartheid South Africa, which one European diplomat recently described as "one of the most troublesome bilateral [trade] deals ever negotiated".

The problem has been a clause stating that any South African-made materials included in exports from other Lomé members will be exempt from European import tariffs only on an "ad hoc" basis. A precise definition of the restriction – which in theory means any EU import containing South African produce must be assessed on a case-by-case basis – will be decided by a bilateral committee.

The committee is expected to begin work next month. But after three years of lobbying for more generous concessions from the EU, South African officials doubt the committee is a sympathetic forum to resolve their grievances.

"The ad hoc clause is a glaring discrimination against South Africa, and it has landed our neighbouring countries in an unenviable position," said Willem Bosman, a director in South Africa's department of foreign affairs.

Although most sub-Saharan countries have already approved the terms of South Africa's entry to Lomé, many of its neighbours hope closer economic ties with the continent's biggest economy will herald new investment from Johannesburg.

These aspirations, which could be jeopardised by the "ad hoc" clause, afford Pretoria a last opportunity to bid for more favourable trading terms from the EU – ostensibly in the interests of its poorer neighbours.

In the eyes of the EU, South Africa does not qualify for preferential trading conditions and European aid granted to other poorer Lomé members. Southern European countries, led by Spain, are understood to be hostile to the threat South African exports would pose to their own agriculture and fisheries. As a result, the principal benefits of Lomé for South Africa will be confined to access to the European Development Fund, which finances private-sector development in ACP countries.

However, South African companies benefit from a concession allowing their products to be included in goods exported to Europe by other Lomé countries. This is intended to help other ACP countries by encouraging South African investment in new export industries in neighbouring countries.

There is some evidence that this is already taking place in Botswana and Zimbabwe, but officials in Pretoria say regional investment could be stymied by the "ad hoc" clause.

"We cannot ratify something that would be a hindrance to our neighbours," said Elias Links, the South African ambassador to the EU in Brussels. In spite of South Africa's importance to the region – and the EU's support in principle for a concession – the "ad hoc" clause takes precedence over a complex formula of multinational trade regulations embodied in the EU's "rules of origin cumulation".

"At the moment there is no encouragement for anybody to start planning any kind of co-operation. It is important to our neighbours that we should ratify, and it is also important for the EU," Mr Bosman says.

He predicts that if South Africa wins the support of its neighbours in the Southern African Development Community – countries which he describes as being "in the first line of suffering" – the EU could be "embarrassed" into further concessions. "If South Africa does not join, it would be a betrayal of the developing world on technicalities," he says.

But time is not on Pretoria's side. The enthusiasm of EU commissioners to help rebuild South African industry after years of isolation has waned in the past three years. Most diplomats expect last week's decision to ratify Lomé will ease pressures on the bilateral committee to revise the terms of its membership. Only then can both sides resume bilateral talks on a free trade area between South Africa and Europe within 12 years.

Brussels has already promised to help South African companies "adjust" to a more competitive environment, and Pretoria is wary of forfeiting that. "Now we have the milk," says Mr Bosman, "we must be careful not to spill it."

South African imports from the EU

	Rand bn	% of total
Nuclear reactors, boilers, machinery, etc	11.6	24.5
Electrical machinery and parts	6.8	14.0
Other unclassified goods	4.3	8.9
Vehicles (excl railway) and parts	4.1	8.6
Optical, photographic, measuring equipment, etc	1.9	3.9
Plastics and plastic articles	1.6	3.3
Organic chemicals	1.5	3.2
Misc chemical products	1.2	2.4
Paper and paperboard	1.1	2.3

Source: South Africa Department of Trade and Industry

WTO report praises Chile's efforts at trade liberalisation

By Frances Williams in Geneva

Two decades of trade liberalisation and economic reform have helped fuel Chile's enviable growth rate and contributed to lower inflation, the World Trade Organisation says in a report published yesterday.

But the WTO's economists warn that Chile's current preoccupation with regional trade agreements has increased the complexity of the country's trade regime and may be producing a misallocation of resources.

The country's policy of "growth with equity" was widely praised by fellow WTO members when the report was discussed this week, trade diplomats said yesterday. The Chilean economy has grown by 6 per cent a year since 1990, and high savings and investment are expected to sustain this trend.

However, the WTO notes that despite diversification Chile's trade balance remains heavily dependent on copper exports. Primary goods, including copper, fruit, wine, forest and fish products, represent 85 per cent of exports. Only about 10 per cent of Chile's exports are manufactures, mainly processed from natural resources.

In addition, a "dualism" has appeared in Chilean agriculture between the efficient fruit and forestry export sectors and less competitive domestic production which enjoys a measure of trade protection, the WTO secretariat suggests.

The report also expresses concern over the many regional trade arrangements in which Chile is now involved.

It has bilateral trade agreements with Canada, Mexico, Colombia, Ecuador and Venezuela and is an associate member of the Mercosur customs union which groups Argentina, Brazil, Paraguay and Uruguay.

Chile is also a member of the Asia-Pacific Economic Co-operation forum, is negotiating an accord with the European Union and hopes to become a member of the North American Free Trade Agreement linking the US, Canada and Mexico.

The WTO says these agreements have resulted in different treatment for Chile's trading partners, for example on rules of origin, as well as disparities between industrial sectors facing varying timetables for tariff reductions.

The report notes that both for goods, where Chile plans to reduce its current uniform tariff of 11 per cent to 8 per cent, and for services Chile's market is far more open than its commitments in the WTO specify.

NEWS DIGEST

Egypt shipping monopoly ends

Egypt has ended a 30-year state maritime monopoly by allowing private sector shipping companies to export from Egyptian ports. In the first step towards a radical reform of export-related services and institutions, the state-owned Egyptian Maritime Navigation Company (EMNC) will face competition from at least four partnerships which Egyptian companies are in the process of establishing with foreign shippers. New Egyptian shipping companies will be required to have a minimum capital of E£25m ($7.3m).

Until now EMNC has dominated exports and been given priority as an importer unless its ships are unavailable. Both areas will now be open to the private sector. The government also intends to allow private sector shipping agencies to operate.

Egyptian maritime transport costs are up to 27 per cent higher than those of its neighbours. *Mark Huband, Cairo*

■ AIRCRAFT SALES

Northwest orders 50 Airbuses

Northwest Airlines of the US has ordered 50 Airbus A319 aircraft and has taken options on 100 more. Delivery of the single-aisle, twin engined aircraft is to begin in mid-1999. The aircraft, which carry 124 passengers, will be powered by engines manufactured by CFM International, a joint venture between General Electric of the US and Snecma of France. The order is in addition to the 20 Airbus A320s that Northwest ordered last year.

Michael Skapinker, Aerospace Correspondent

■ ISRAELI TEXTILES

Ties forged with neighbours

Israeli textile industries, undeterred by a stalement in Middle East peacemaking, are continuing to forge ties in neighbouring countries, Israel's Manufacturers' Association said yesterday.

The organisation, which represents the Israeli industrial sector, said more than 20 Israeli textile companies had set up factories in neighbouring countries in recent years. The industry has established a presence in Egypt, the Palestinian Authority, Turkey and Jordan. Mr Danny Leish, spokesman for the Manufacturers' Association, said leading Israeli textile companies such as Delta and Castro had created 4,000 jobs in Jordan alone. "Israeli textile companies have no choice but to move abroad where wages are lower in order to remain profitable," he said. The Israeli textile companies plan to strengthen ties with neighbouring countries in the coming years, in an effort to help bolster peace and underpin regional security through economic co-operation. *Avi Machlis, Jerusalem*

■ BSE PROTEST

EU directive angers US

US meat groups yesterday urged the Clinton administration to protest against a European Union directive which includes the US among countries whose animal products could be banned for harbouring "mad cow" disease. The ban is expected to take effect on January 1 and was announced by the EU farm commissioner, Franz Fischler, who said US meat products could contain "mad cow" disease, or bovine spongiform encephalopathy (BSE).

No US cattle have been diagnosed with BSE, and administration officials should approach the World Trade Organisation to protest about the EU move, said the American Meat Institute. "In the absence of BSE, there is no basis on which to ban specified risk materials," it said. *AP-DJ, Chicago*

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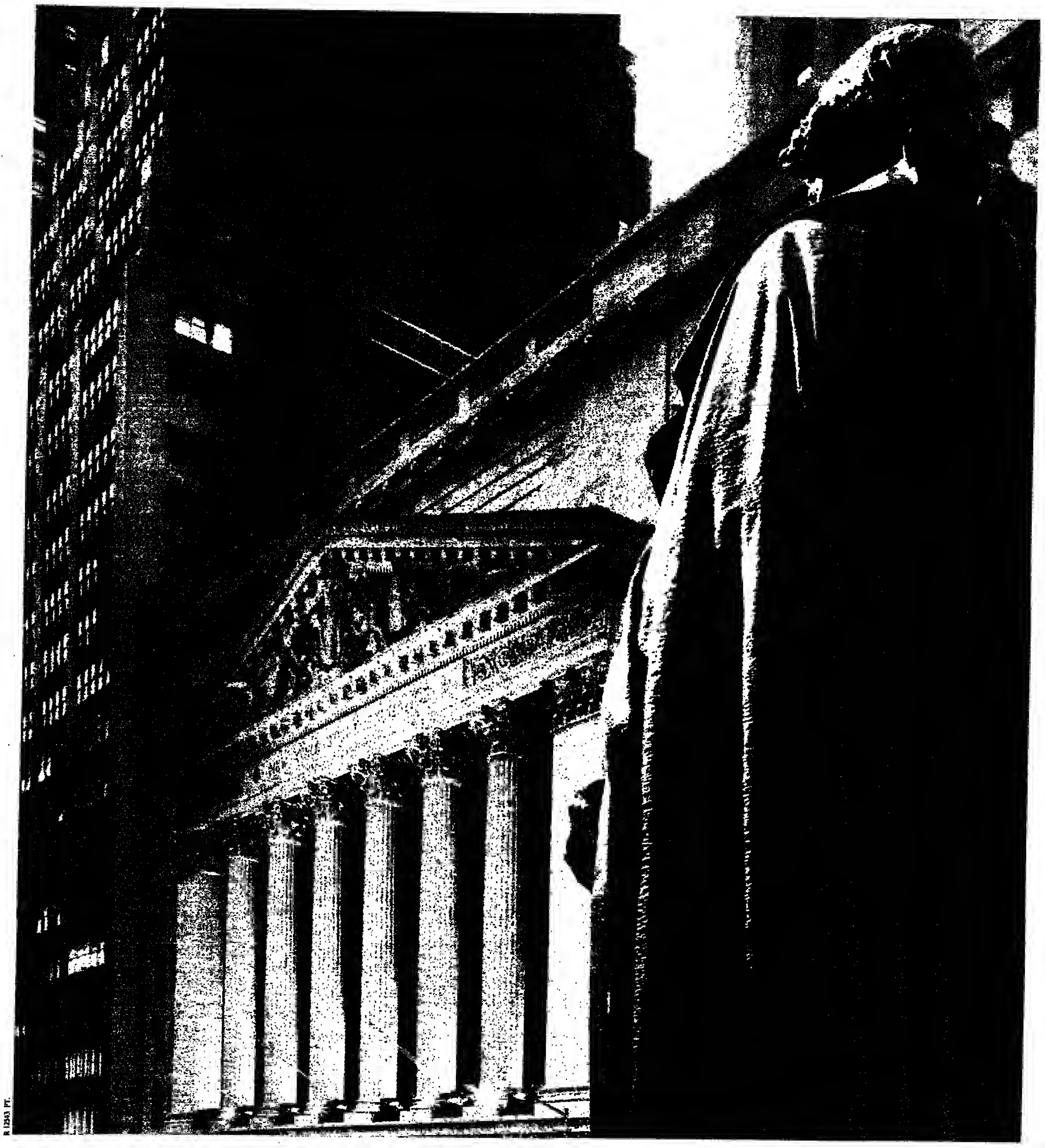

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NEWS: ASIA-PACIFIC

Daiwa's top executives to step down

By Gillian Tett in Tokyo

Daiwa, Japan's second largest broker, yesterday announced its president, chairman and five other senior executives would resign next week over recent extortion scandals. The move follows allegations that the company made payments to corporate racketeers, known as *sokaiya* in Japan.

It comes after three other Japanese companies – the brokers Nomura, Yamaichi and Dai-Ichi Kangyo Bank – have implemented similar reshuffles after being accused of making illegal payments in a related scandal.

Consequently, the resignations at Daiwa mean that more than 50 senior Japanese financial executives have resigned over the scandals since they emerged this spring. And it boosts expectations that the scandals will result in almost the entire top management at Japan's largest brokers being removed as the country prepares for its "Big Bang" financial deregulation.

In particular, expectations are rising that Nikko – the only one of the top four brokers which has not yet removed any management – will make similar reshuffles in the coming days.

The scandals centre on allegations that several Japanese companies have been making illicit payments to Ryuichi Koike, a well known *sokaiya*. These have operated by demanding payment from companies in exchange for not revealing sensitive information about them.

Nomura and DKB have already admitted making such payments and have had part of their domestic operations suspended for several months as a result. Yamaichi has been officially accused of similar crimes, and is expected to face a penalty soon.

Until recently Daiwa strenuously denied it had paid *sokaiya*. However, last week Tokyo prosecutors indicated they now had evidence that the broker had made illegally compensated Mr Koike by mixing up client and proprietary trading deals.

Though the group has not officially admitted it made such payments, the resignations mark an attempt to win back investor confidence – and prevent companies cutting business ties with the scandal-tainted group.

The reshuffle replaces the current president, Motoo Esaka, with Yoshinari Hara, 54, a former managing director. Sadakane Doi, chairman, will be replaced by the current vice president, Tomoaki Kusuda, 59. Five other top directors will also resign, although in line with Japanese practice they are likely to be retained in the company as "advisers".

The new president and chairman appear to have been chosen because neither has had connections with the *sokaiya* scandal. Both men are strikingly younger than their predecessors.

Some analysts hope that the latest reshuffles will let companies such as Daiwa implement sweeping internal reforms to prepare for "Big Bang".

At Nomura, for example, the scandal is being used as an excuse to push through a range of changes in the company's internal structure and promote more staff with international experience.

However, others question whether Daiwa is committed to implementing as significant a degree of internal change as Nomura. In contrast to the new leader of Nomura, Junichi Ujiie, neither of the new Daiwa leaders has served in senior management positions overseas.

Depositors flee Malaysian finance group

By James Kynge in Kuala Lumpur

Scores of customers besieged branches of Malaysia's largest finance company yesterday in the country's first run by depositors since the turmoil in south-east Asia's financial market began more than two months ago.

Bank Negara, the central bank, moved swiftly to urge calm. It pledged to support the company, MBf Finance, with sufficient funds to match withdrawals if this became necessary.

"Bank Negara Malaysia would like to reassure depositors that there is no cause for alarm," the bank said. "The public should remain calm and not resort to premature withdrawals which could cause them to lose interest accrued."

The run was the latest sign of the nervousness which has spread through the region's financial system since the devaluation of the Thai currency, the baht, in early July threw currency and stock market into turmoil.

In Indonesia, a list of troubled domestic banks that circulated in Jakarta this week was said by one western securities company to have been drawn up by the Indonesian central bank.

In the Philippines, banking industry shares have been driven down by rumours of fresh corporate loan defaults. These rumours have not yet been confirmed.

The run on several of MBf's 151 branches yesterday was triggered by rumours that Loy Hean Heong, chief executive officer of MBf group, was gravely ill or – according to some versions – had died. The company denied such talk with a faxed statement signed by Mr Loy, believed to be receiving medical treatment in Paris.

Analysts said that although Mr Loy's health was the immediate catalyst, the run reflected frailty within Malaysia's financial system. Total loans this year are expected to come to 170 per cent of projected 1997 gross domestic product – the greatest level of domestic indebtedness in south-east Asia, according to Standard & Poor's, the international rating agency.

Finance companies in Thailand, of which 58 are suspended, are considered more vulnerable than Malaysian counterparts; the Thai companies have borrowed heavily overseas whereas the foreign loan exposure of Malaysian finance companies is much less. The Malaysian finance companies, with the notable exception of MBf, also tend to be subsidiaries of large banking groups, thereby lending them strength.

One area of vulnerability appears to be finance companies' loans to stock market players and for vehicle hire purchase. The stock market has fallen by more than 40 per cent since its February peak. Repossessions of cars from owners behind on their hire purchase payments is now proceeding apace, executives said.

There are signs too that depositors are involved in a "flight to quality" from banks considered less secure to those better capitalised, banking analysts said.

Fanning the rumours is a shroud of secrecy which authorities have cast over the financial community. Bankers and stockbrokers have been instructed to refrain from making negative comments on the Malaysian economy, so as not to undermine confidence. This policy has, however, had the effect of deepening a mood of mistrust.

● Thailand said yesterday it planned to place 58 troubled finance companies under the supervision of a new super-body that would be independent of the central bank, which currently oversees all financial institutions. "The Bank of Thailand's supervisory department does not have the experience to handle their problem," said Virabongsa Ramangkura, the deputy prime minister, who added that the plan would be put forward to the Thai cabinet for approval soon.

Japan tries to calm fears over regional fund

By Gillian Tett

Tokyo plans to push ahead with controversial proposals to create an emergency fund to cope with currency crises in Asia, Hiroshi Mitsuzuka, Japan's finance minister, indicated yesterday.

However, he insisted that such a fund would be "supplementary" to the International Monetary Fund, in an apparent move to calm US concern over the initiative.

"The fund will not be competing with the IMF and other global organisations but will be a supplementary organisation – it will seek co-operation with other international institutions," he said in Tokyo, after returning from the IMF and World Bank meetings in Hong Kong.

However, his comments came amid continued signs that the proposals for a regional fund, aired in Hong Kong earlier this week, are generating considerable unease among western countries.

The proposals have triggered splits within Japan as well, not least because of lingering ambivalence about the extent to which Japan is willing to play a leading role in any regional grouping.

Until recently, most senior Japanese officials were uneasy about a separate regional fund, preferring to promote the concept of IMF assistance. However, the concept of a regional fund has gained support from south-east Asian countries such as Malaysia in recent weeks, following the recent burst of currency volatility in the region.

Mr Mitsuzuka startled some Japanese colleagues and western countries by apparently throwing his weight behind the concept in Hong Kong earlier this week.

His move reflects growing support for the idea in some senior echelons of Japan's Ministry of Finance. Eisuke Sakakibara, Japan's vice minister of finance for international affairs, has indicated in recent weeks that he believes the region needs stronger forms of regional co-operation.

The controversy generated by the proposal means that Tokyo is unlikely to push for any excessively ambitious or rapid scheme, some officials suggested yesterday.

Although it has been suggested the fund's value could be $100bn, Japan – which is likely to be the main donor – is likely to favour something smaller, given the growing pressure on its budget. Japan is also likely to insist that money dispensed from such a fund should be given only if countries agree to meet IMF-style reform conditions.

Anwar calls for monitoring of currency trading

Anwar: market reaction was 'excessive' Tony Andrews

By John Ridding in Hong Kong

Anwar Ibrahim, Malaysia's deputy prime minister, yesterday called on the International Monetary Fund to help establish a global system for monitoring foreign exchange trading to help promote financial liberalisation while avoiding destabilising consequences.

The appeal to the IMF's annual meeting comes amid upheavals in regional financial markets which has dominated the agenda at the gathering. Malaysia has been among the worst affected countries, with the ringgit falling by more than 20 per cent since Thailand triggered the crisis with a July devaluation.

"The Fund could promote international co-ordination in the supervision of financial markets through the establishment of a trade information system to allow authorities to monitor trading activities," said Mr Anwar.

Mr Anwar, who is also finance minister, said the Fund could also devise a framework to enable countries to cope more effectively with destabilising capital flows. "This framework could include rules and principles on ethical and professional standards, stronger disclosure requirements and regular contacts between the managers of leveraged funds and banking supervisors," he said, adding that new rules should apply to capital market participants as well as IMF members.

Mr Anwar's comments are the clearest statement so far of Malaysia's attempt to strengthen protection from financial market upheavals. He said the reaction of the markets had been "excessive", aggravated by "unscrupulous speculators" and that new mechanisms are required to support moves towards financial liberalisation.

While seeking stronger defences against speculation, Mr Anwar underlined Malaysia's support for financial liberalisation: "Our commitment to a market-based financial sector started with the flotation of the ringgit as early as 1973, followed by liberalisation of the financial system."

The recent turmoil in south-east Asia did contain some positive elements, Mr Anwar said. "The expeditious response of the IMF and Asian countries in providing a US$17.2bn facility is a unique demonstration of regional solidarity." He also signalled support for a regional fund as a means to support financial stability. The proposal, backed by Japan, has prompted concerns in the US and Europe.

NEWS DIGEST

Ministers quit in Australia

John Howard, Australia's prime minister, came under pressure to reshuffle his cabinet yesterday after two ministers resigned over questionable claims for travel expenses. John Sharp, transport minister, resigned after a magazine revealed he had secretly repaid nearly A$9,000 (US$6,475) in travel claims he could not verify. David Jull, minister for administrative services, also resigned after covering up Mr Sharp's repayment.

Six ministers and parliamentary secretaries have resigned since Mr Howard's government came to power in March 1996. Some MPs and government sources have suggested Mr Howard might use the departures to shuffle his front bench.

Mr Sharp, who said he had committed no impropriety, added he had quit to avoid prolonging embarrassment for the government. *Elizabeth Robinson, Sydney*

■ VIETNAMESE PRESIDENT

Surprise choice for leader

Vietnam yesterday made a surprise choice for president, picking Tran Duc Luong, a little-known geologist, after months of wrangling over leadership changes. The move is part of the biggest reshuffle at the top of the Communist party in five years. Observers say it could breathe some life into stalled market reforms but it does not mark a breakthrough.

That is likely to come once a successor has been found for the 80-year-old-party general secretary, Do Muoi, who remains in the ruling troika until a special party conclave, possibly early next year.

Foreign investors have grown sour on Vietnam because of high overhead costs, red tape and corruption. The International Monetary Fund wants Hanoi to commit itself to reforming state-owned enterprises and revamp its creaking banking system – issues sidelined by the leadership succession question. *Jeremy Grant, London*

■ SOUTH KOREAN ELECTION

Kim resigns party post

South Korean President Kim Young-sam resigned yesterday as head of the ruling New Korea party to help improve the image of the party's presidential candidate, a party official said. Mr Kim's resignation allows the presidential candidate, Lee Hoi-chang, to take over the party's leadership and distance himself from the unpopular former leader, a senior party official said.

● Prosecutors yesterday arrested more executives of companies in a widespread contract bidding scandal that was a new blow to President Kim's government. Insider bidding on more than 5,000 government-funded projects since 1995 involved bribes of Won70bn ($76.6m), prosecutors said. Companies paid kickbacks to officials to learn the preferred bidding price on road, bridge, rail and other construction projects. *Reuters, Seoul*

■ FORMER INDIAN PREMIER

Ground cleared for Rao trial

India's Supreme Court yesterday cleared the way for the trial of P.V. Narasimha Rao, former prime minister, in a vote-buying case. If found guilty the former Congress party chief could be given a jail sentence.

A two-judge bench declined to block the framing of charges against Mr Rao, set for today, for criminal conspiracy and abetment to bribery. The former prime minister has said he is innocent. The judges set October 13 for a full hearing. *Reuters, New Delhi*

China vows not to flood market with new issues

By John Ridding in Hong Kong

China yesterday sought to reassure investors that plans to revive its ailing state sector would not prompt a flood of new share listings on the Shanghai and Shenzhen stockmarkets.

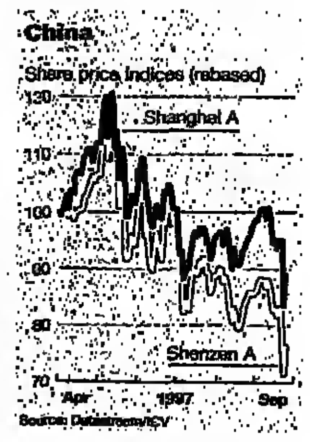
"There is no question of a further, quick market expansion in the near term," said a front page commentary in the Shanghai Securities News. "Authorities concerned have repeatedly stated that the pace of new listings will be controlled." Newspapers in Beijing and Shenzhen in southern China carried similar messages.

Fears of increased supply led to sharp falls on the stock markets earlier this week, with the Shanghai market for A-shares, those reserved for domestic investors, plunging by 6 per cent on Tuesday. The Shenzhen market fell even more sharply, losing 7.5 per cent of its value. Yesterday's words of reassurance reversed the falls, with A-shares rising by about 6 per cent on both exchanges.

Though China's stock markets are notoriously volatile, this week's turbulence has highlighted the delicate balance faced by the Chinese government as it seeks to reform the state sector. Loss-making and indebted companies need to raise capital, as do listed companies acquiring or restructuring state-owned businesses as part of reforms.

However, issues of new shares and any resulting fall in the domestic stock markets could prompt opposition from investors. With the rapid rise of shareholding among the Chinese public, and occasional protests at sharp market falls, this requires careful handling.

The issue has assumed particular significance given the priority attached to reform of state-owned enterprises by Beijing. Speaking in Hong Kong earlier this week, Zhu Rongji, China's top economics official, set a target of three years to revive loss-making state companies.



China has sold off a bankrupt steelmaker for Yn50m ($6m) in a first public auction following the call last week by communist leaders for a restructuring of ailing state industry, Reuters reports from Hong Kong.

The Guangzhou Special Steel Factory, which had employed 600 people, was sold at auction in the southern city of Guangzhou on Tuesday, the Shenzhen-based Securities Times said yesterday. Guangdong Light Industrial Mechanical Group, another state company, bought the company, which had debts of Yn133.94m, the newspaper said.

Accelerated reforms were yesterday described as essential by a senior World Bank economist.

"The Chinese government has to move much more aggressively if they are going to get the same rate of growth in the future as they did in the past," said Yukon Huang, the Bank's China director. "The period of easy growth is over and the future will be much more difficult."

Apart from the proposed reforms of state-owned enterprises – and the rise in unemployment which is likely to result – the World Bank has also underlined the need to strengthen China's financial sector and improve the balance of production and investment between coastal areas and the hinterland.

Court ruling over death of smoker

By Jonathan Wheatley in São Paulo and Rosa Tieman in London

A Brazilian judge has ordered Souza Cruz, a subsidiary of BAT Industries, the UK-based tobacco group, to pay damages of R$90,000 ($82,500) to the family of a man who died in 1995 of an allegedly smoking-related condition.

The ruling, which BAT believes to be the first of its kind outside the US, was given in a Rio de Janeiro civil court and is likely to lead to a string of similar actions in Brazil. It will also be scrutinised by plaintiffs in other countries.

The judge ruled smoking had been "the determinant cause of the heart attack followed by death" of Nelson Cabral Alves, a smoker from the age of 18 who consumed 80 cigarettes a day before he died at 41. He allegedly smoked three brands of cigarettes, all produced in Brazil by Souza Cruz.

An executive of BAT in London said the company would appeal. "It looks like a very odd decision," he said. "It's one where the only evidence was the deceased's death certificate, which said he was a smoker."

Jorge Beja, lawyer for the deceased's family, agreed that the death certificate had been the deciding factor in the case. Doctors attending Mr Alves on his arrival in hospital shortly before his death had cited smoking as a contributory factor to a fatal heart attack.

Alves's family had originally claimed damages of R$1.5m and will appeal against the size of the award, which also includes payment of a monthly pension of R$800 to his widow and two children.

Mr Beja said he would bring 11 more cases against Souza Cruz on behalf of people with smoking-related ailments in coming weeks.

Luis Roberto Barroso, lawyer for Souza Cruz, said the ruling was based on "a number of serious errors of fact". He said Alves had been dead on arrival at hospital, there was no proof of cause of death, and his family had a history of heart trouble.

"This is an isolated precedent that should be disregarded," he said. "The judge is an anti-smoker and ruled with no consideration of the facts."

Last Friday, a judge in the north-eastern city of Fortaleza ruled in favour of Souza Cruz in a claim for damages brought by an ex-smoker. This was the first ruling on a tobacco-related case in Brazil and was welcomed by Souza Cruz as vindication of its view that "smoking is a personal choice taken by an enlightened public".

BAT owns an 80 per cent stake in Souza Cruz, which it acquired in 1912. BAT also faces litigation from people suffering from smoking-related illnesses in the US, UK, Canada, Australia and Israel.

Sleeping at the office on Wall Street

Office blocks are now being converted into apartments for young aspiring brokers

By Richard Tomkins in New York

When Paul Polichino said he wanted to work on Wall Street, he had little idea that he would end up living there, too.

But thanks to rocketing rents elsewhere in Manhattan, Mr Polichino has found himself caught up in an unlikely trend: the emergence of the central financial district as New York's latest up-and-coming residential area.

In what has been dubbed as Wall Street's other boom, developers are snapping up outdated commercial buildings in the financial district and converting them into ritzy apartment blocks that are rapidly filling up with young professionals.

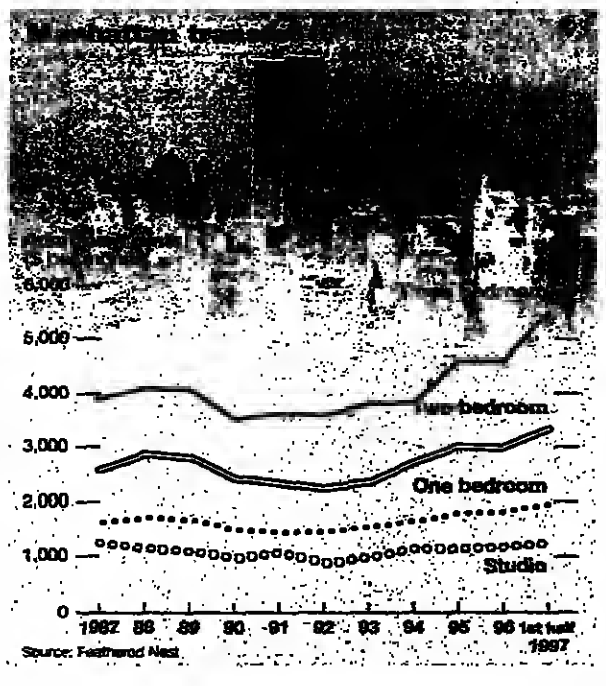
Three months ago, Mr Polichino and three room-mates moved into a four-bedroom apartment costing $3,180 a month at 45 Wall Street, a 28-storey building that used to be the New York offices of Atlantic Mutual insurance and US Trust.

From there, Mr Polichino, 23, enjoys one of the world's shortest commutes – a walk across the street to J.P Morgan, the Wall Street investment bank, where he has just started as an analyst. "It's about 50 steps," he says. "It takes a minute or two, depending on how long I have to wait for the elevator."

New York's financial district seems an improbable candidate for gentrification. It is the biggest commercial district in the US after midtown Manhattan and Chicago's Loop, encompassing about 100m sq ft of office space and employing about 400,000 office workers.

At present, few people live among the skyscrapers, and the stores and restaurants have no reason to stay open once the office workers have gone home. Like the financial centres of London and other big cities, it is a hollow, empty place at evenings and weekends.

But things are changing fast. The last of 435 apartments at 45 Wall Street has just been let. Another 345



are being let at 25 Broad Street, the former headquarters of PaineWebber, and 565 are near completion at 127 John Street, the former Cotton and Cocoa Exchange.

Behind the transformation is a fall in demand for downtown office space. The financial district's elderly office blocks are unsuitable for modern needs. Besides, senior executives prefer a midtown location because it puts them within walking distance of Grand Central station and its commuter train links with their homes in the leafy suburbs.

In 1995, with vacancy rates at 30 per cent and entire buildings standing empty, New York came up with a plan to revitalise the downtown area by offering big tax breaks to developers who agreed to convert office buildings to apartment blocks.

According to the Alliance for Downtown New York, a joint public and private sector organisation formed to promote the area, some 2,000 apartments are at or near completion, and 7,000 more are expected to appear over the next five years. "It's exceeded everyone's wildest expectations," says Carl Weisbrod, the alliance's president.

New York's rapidly rising rents help explain the high take-up. Nancy Packes, president of Feathered Nest, a leading New York real estate agent, says rents rose by an average of 30 per cent in the three years to last December, and shot up by 10 per cent more in the first six months of this year.

Because of the tax breaks, downtown rents are typically 15-20 per cent cheaper than those in the more popular residential areas of New York – a boon to newcomers like Mr Polichino and his room-mates, all recent graduates from Georgetown University in Washington DC.

"We wanted to live on the upper east side or upper west side, nearer to Central Park," Mr Polichino says. "But we've traded that for no commute and a much bigger place at a much lower price." One big drawback to the financial district is so far it remains almost devoid of amenities people take for granted in the rest of Manhattan, such as supermarkets, movie theatres, restaurants and bars.

But Rockrose Development Coporation, the company that developed 45 Wall Street, says this has not proved to be a problem. "A lot of these people are not even buying groceries. They work hard and go out to eat," says Mr Thomas Elghanayan, the company's president. "And it's only a short walk to Soho, Tribeca, and the hottest restaurants in New York."

Mr Elghanayan believes that local merchants open during the daytime will start to extend their hours as the residential population builds up. Meanwhile, in a sign of the times, Regal Cinemas, a Tennessee chain, has just announced plans to open a 16- or 17-screen movie theatre, the biggest in New York, across from the World Financial Center.

"We think we've got a jump start on it," says Mr Polichino. "In six months, we think this place is going to be a lot livelier."

Clinton may face defeat over N-waste

By Bruce Clark in Washington

Legislation that would force the US administration to build a central storage site for nuclear waste is gaining momentum on Capitol Hill, at the expense of other proposals relating to energy and the environment.

A 43-3 vote last week by the House commerce committee has encouraged supporters to believe they can muster the two-thirds majority needed to override the expected presidential veto. The proposal, now under scrutiny by the House resources committee, could reach the full House as early as next month.

Other proposals of concern to the energy industry, including the reversal of tough new clean air standards and the repeal of restrictions on the freedom of utilities to diversify and raise capital, are seen as less likely to win approval during the current Congress.

But the nuclear waste bill, which sharply divides electricity producers and environmentalists, could put the White House in an awkward position. If, as supporters hope, the bill wins approval from more than two-thirds of the House, the only remaining challenge will be to find a few extra senators to back the proposal.

The bill was endorsed by 65 to 34 – two short of the necessary two-thirds majority – earlier this year. President Bill Clinton has vowed to block any legislation that would force him to start building a storage site in Nevada until the Energy Department has completed its search for a repository.

The proposal for a central site in Nevada is strongly opposed by legislators from that state as well as by other environmentally-minded politicians who fear that accidents could happen during the transport of up to 80,000 tonnes of waste across the country.

But the nuclear power industry says the administration has broken the law by failing to gather the spent nuclear fuel piling up at over 100 locations.

A 1982 law provided for the establishment of an $11bn (£6.8bn) fund for the creation of a central storage facility by 1998, a deadline which has no chance of being met. The law was later amended to specify a site in Nevada.

Ratings up for Net talk show hosts

By Nicholas Denton in San Francisco

High-tech companies, more accustomed to poaching wars for computer programmers, have entered into competition for a new generation of stars: the "forum leaders" who stimulate discussion in the online communities of the internet.

The latest round came yesterday with the announcement that three popular forum managers from CompuServe, the online service being acquired by America Online, have defected to Microsoft Network, a service owned by the Seattle software company.

These forums take advantage of one of the most innovative and successful features of the internet: the virtual community, in which online users can post messages, not one-to-one as with electronic mail, but to a group of other individuals sharing their interest.

The departing CompuServe stars, together with two who switched last week, will manage live chat areas and bulletin boards on MSN devoted to subjects such as computers, education, and recreation – as well as astrology, new-age mind and body, and new-age spirituality.

"It is this ever-changing world of metaphysics that I hope members of The Microsoft Network will be able to learn about in our new forums," said Neil Shapiro, a former computer magazine editor who will work full-time in managing the new-age communities.

The appointments underline the growing importance to the internet industry of online communities, the chat rooms and online bulletin boards frequented by an estimated 30 per cent of internet users, on which they can discuss their hobbies or other interests.

They also represent the graduation of the role of the forum leader – formerly undertaken by hobbyists – into a fully-fledged profession commanding a salary of $100,000 in some cases.

"Forums are really starting to become part of the internet lifestyle," said Jessica Ostrow, MSN group product manager. "And forum leaders are the cornerstone of communities. They are definitely celebrities in their own categories. It is something that you can make a career out of."

Algerian militants declare ceasefire

By Roula Khalaf, Middle East Correspondent, in London

The Islamic Salvation Army (AIS), the armed wing of the Algeria's Islamic Salvation Front (FIS), yesterday declared a ceasefire from October 1 in an effort to expose rival guerrillas it has blamed for massacres of civilians.

A statement signed by Madani Mezerag, AIS commander, said the Armed Islamic Group (GIA) and unnamed forces manipulating them were bent on torpedoing conciliatory measures taken by the Algerian government to try to end the five-year-old civil strife.

The AIS declaration makes official the truce agreed more than two months ago in return for the release of two jailed FIS leaders, a FIS official said yesterday.

It came after scores of people – possibly as many as 200 – were murdered in Beotalha, on the outskirts of Algiers on Monday night.

The Algerian government has publicly denied that any secret deal has been struck with AIS but FIS officials say its armed wing had agreed the truce in talks with a number of army generals willing to search for a political solution to the Algerian crisis.

The Algerian government appears to have welcomed the declaration since it was run on Algerian television and in the local government and independent press.

In Algiers, yesterday's pro-government newspaper El Moudjahid, which normally refrains from commenting on statements by fundamentalists, welcomed the statement, describing it as "a major turning point in the security situation".

Although a truce will not lead in the short term to an easing of the violence, it could contribute to the long-term resolution of the conflict if it results in negotiations. Algeria plunged into violence in 1992 after the army cancelled elections the FIS were set to win.

FIS officiels said some army generals remained fiercely resistant to any deal and they do not rule out the possibility that the talks which led to a truce were simply aimed at weakening their armed wing. The AIS, made up of a few thousand fighters, no longer presents any serious threat to the authorities. The government has also for long held that the FIS itself is not a relevant political force.

There are also divisions within the FIS and some reports say that one part of the AIS may not be in agreement about the truce.

Observers believe however that the truce declaration is one of the most important steps that the FIS has taken so far and effectively puts the ball in the government's court.

Reforms boost poor countries

By Frances Williams in Geneva

Successful implementation of economic reforms has set some of the world's poorest countries on the path of sustainable growth, the United Nations Conference on Trade and Development (Unctad) says in its latest annual report on the 48 least developed countries.*

But it says others are caught in a vicious downward spiral of economic and social disintegration which will not be reversed without international help.

On average, the least developed countries (LDCs) grew by 4.7 per cent last year, down from 5.2 per cent in 1995 but still "relatively robust", the report says. This figure does not include war-torn LDCs for which data were not available.

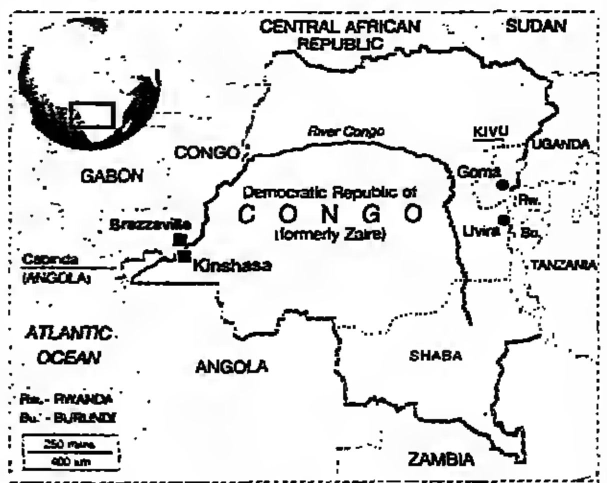
The slowdown reflects lower growth for the 33 African LDCs in 1996, attributed by Unctad to falling commodity prices and declining aid flows. Some 19 African LDCs have nevertheless had growth rates in excess of 4 per cent since 1994, a substantial improvement on the early 1990s.

"There is reason to be cautiously optimistic about the prospects for the majority of the LDCs," the report says. Steady global economic expansion this year and the current sharp rise in prices of tropical beverages such as coffee and cocoa are seen as favourable factors, but Unctad says successfully implemented economic reforms are proving "at least as important".

**The Least Developed Countries 1997 (Sales No.E.97.II.D.6), available from UN Sales Section, Palais des Nations, CH-1211 Geneva 10, fax +41 22 917 0027, e-mail unpubli@un.org or UN Publications, Two UN Plaza, Room DC2-853, Dept.PRES, New York, 10017 USA, fax +1 212 963 3489, e-mail publications@un.org, $55.*

Marriage of convenience in Congo heads for divorce

Michela Wrong reports on the monumental tasks facing the uneasy alliance that overthrew Mobutu



Four months after the late Mobutu Sese Seko fled Kinshasa and Zaire was renamed the Democratic Republic of Congo, the nation's inhabitants might be forgiven for thinking that, if labels and players have changed, the song remains much the same.

As expected, the Alliance of Democratic Forces for the Liberation of Congo (AFDL) has found winning the peace far harder than the seven-month campaign that swept Mobutu from power.

If gloomy warnings of national disintegration have failed to materialise, the task of reviving an economy undermined by three decades of corruption, mismanagement and neglect is proving overwhelming.

"They inherited a mess, their ministers have no experience and there's no government machinery to speak of," says a local economist. "Everything has to be done from scratch."

The passage of time has merely highlighted the fact that Mobutu was toppled by a loose "marriage of convenience" between groups opposed to his regime, rather than a united movement, purified by years of struggle, ready to implement an agreed agenda.

That unstable coalition is now unravelling in eastern Kivu. Birthplace of the rebel alliance, the province is once again in a state of turmoil that makes a mockery of predictions that Congo's neighbours would reap a peace dividend from the departure of Mobutu, master of the art of destabilisation.

In the Masisi hills north-west of Goma, the uneasy alliance between the Banyamulenge Tutsis who spearheaded the AFDL uprising and local Mai-Mai militias has broken down.

Kabila: tricky balancing act on his hands

Resentful of Laurent Kabila's attempts to impose central control, the Mai-Mai have teamed up with exiled members of Rwanda's genocidal Interahamwe movement to wage war on Tutsis on both sides of the border.

To the south of Uvira, a new rebel movement is also challenging the AFDL. It embraces members of the Bembe tribe – Mr Kabila's former comrades-in-arms – Hutu guerrillas opposed to the Burundi government, former Rwandan soldiers and stragglers from Mobutu's national guard.

Exacerbated by tensions between Congolese troops sent to replace the Rwandan forces who formed the backbone of the seven-month campaign, the fighting has left roads between the towns of Bukavu and Uvira virtually unpassable. The situation is so volatile, much of the area has been declared off-limits for United Nations personnel.

In comparison, Kinshasa is an island of calm. But analysts say the clash between groups within the AFDL cabinet – ranging from exiles from southern Katanga to Tutsis from the east, reformed Maoists to western-educated capitalists – often causes paralysis.

"The AFDL is a real alliance in the sense that everyone contributed to victory and therefore has a say," says a diplomat. "No one can overrule anybody without repercussions and decision-making is extremely slow. Kabila has got a very tricky balancing act on his hands."

The arrest earlier this year of Mwana Nanga Mawampanga, the finance minister, highlighted the extent of suspicions between the factions. Detained on suspicion of fraud after being caught moving large quantities of currency around the country, he was released when it was belatedly discovered that the orders had come from Mr Kabila himself.

Such suspicions add to the red tape faced by entrepreneurs hoping to invest in the country's mineral industry, the sector that – properly exploited – could pull not only the Congo but the entire region out of recession.

Gecamines, the state-owned mining giant, is looking for partners for at least 20 projects. But progress is slow, with embassies complaining at the bureaucratic hurdles placed in the way of potential foreign investors.

Without additional revenue, the government is experiencing the same problems in paying its bloated civil service as Mobutu. But moves to force companies to pay tax, rather than "royalties" to individual generals, have created resentment, while the arrest of more than 30 Mobutu-era business leaders suspected of embezzlement has robbed the government of valuable – if tainted – expertise.

Unable to deliver on the economic front, the AFDL, which was regarded as something of a foreign occupation force even before its troops set foot in Kinshasa, is fast losing its public appeal.

The brief detention in June of Etienne Tshisekedi, the opposition leader who regards himself as rightful prime minister, and the continuing ban on political activity is fuelling growing hostility towards the Tutsi presence in government. Many residents doubt Mr Kabila intends to meet his promise of democratic elections within two years.

In the circumstances, support from abroad would be welcome. But western promises of resumed aid appear to be conditional on the outcome of the long-delayed UN investigation into the suspected mass killings by AFDL troops of Rwandan refugees.

The UN team has now spent a month in the capital waiting for permission to fly to Kisangani. But having already won some major concessions from Kofi Annan, the UN secretary-general, Mr Kabila has continued to place obstacles in the path of the investigators.

While each new objection bolsters the concern abroad that the AFDL has some very nasty things to hide, the UN insistence on investigation strengthens the government in its belief that the west is more interested in refugees than Congo's development.

Saudi envoy defends sentence

Saudi Arabia's ambassador to Britain said yesterday his government would not bow to pressure from London to consider a more lenient sentence on a British nurse found guilty in the murder of an Australian colleague, Reuters reports.

Ghazi Algosaibi also appealed for "restraint and reason" in response to the sentence of eight years jail and 500 lashes handed down on Lucille McLaughlan, 31.

He said final judgment had not yet been reached in the case of McLaughlan and her alleged accomplice Deborah Parry, 38, also British.

"I was very surprised to be asked to comment on a judgment that has not been rendered. I was even more surprised when some saw fit to demean our Islamic judicial system," Mr Algosaibi said.

"Until the verdict is rendered and officially announced by the Saudi government all reports on the case should be considered mere speculation," Mr Algosaibi said.

Editorial Commeot, Page 13

Israeli policy 'vindictive'

An Israeli human rights group yesterday claimed the government was adopting a "punitive and vindictive" policy of demolishing Palestinian homes after the two recent suicide-bombings in Jerusalem, writes Judy Dempsey.

But the government slammed the report, saying it was simply adopting the same policy of previous governments.

B'Tselem stated that since July 30, when a double-suicide bomb attack killed 15 people in a Jerusalem market, 29 homes had been demolished, four times the number in June.

Some routes from England to US may be hit in dispute over alliance with American Airlines

BA halts flights from Glasgow to New York

By Michael Skapinker, Aerospace Correspondent

British Airways said yesterday it was suspending services from Glasgow in Scotland to the US because of the delay in winning approval for its alliance with American Airlines. BA warned that flights from the English cities of Manchester and Birmingham to the US were also under threat.

Robert Ayling, BA's chief executive, said if the alliance was approved, his company would be able to persuade American Airlines passengers from the US to fly to UK regional destinations. Without these additional passengers, he said, flights from Glasgow to the US were not profitable.

Mr Ayling said: "This route has lost £7m ($11.3m) in the last three years. In the US, our alliance would generate the much needed level of transfer passengers that a transatlantic service requires. We have maintained the route while we awaited approval for the alliance but we have now been waiting for over a year and we cannot continue to incur these huge losses."

The proposed BA-American alliance was announced in June last year, but has yet to win approval from regulators in Washington, Brussels and London. The two airlines want to co-ordinate their schedules, marketing and pricing. They also want to use the alliance to persuade their customers to use each other's flights.

BA said it would suspend its non-stop services from Glasgow to New York and to Boston from November 1. Passengers travelling from Glasgow to New York will have to fly via Manchester in northern England. Passengers flying to Boston will have to change aircraft at London's Heathrow airport.

Mr Ayling said: "When the alliance is approved, as I am confident it will be, it is hoped that non-stop services between Scotland the US can be resumed." He said other long-haul services from regional airports could also be stopped if the alliance was not approved.

Mr Ayling said: "Because of the limited amount of local demand for point-to-point long-haul regional services, the only way we can make them profitable is by maximising the traffic transferring on to these routes.

"I cannot emphasise enough how important transfer traffic is to our business. It is connecting traffic that enables us to offer the range of destinations and frequencies we have at our Heathrow and Gatwick hubs and it will be transfer passengers, brought into our regional hubs through our alliance with American, which will give customers in Scotland, the North West and the Midlands a similar kind of choice."

London waits to see if it is still in vogue

The capital's fashion week is hoping for a repeat of last season's record attendance levels

Traditionally the fortunes of London Fashion Week, which starts today, have fluctuated dramatically. Fashion editors and store buyers from other countries flock to the shows one season only to disappear six months later.

The British fashion industry is waiting anxiously to see whether the 48 shows to be staged over the next five days can repeat last season's success.

Last season the number of UK journalists attending London Fashion Week rose to 700 from 500 six months before, and the non-UK press corps almost trebled to 275 from 100, according to the British Fashion Council, which organises the event.

John Ward, the BFC's administrator, admits that the chief challenge is "to stop the big bang happening again". Last season's record attendance reflected the fashion industry's steadily growing interest in London after the emergence of designers such as Alexander McQueen, Antonio Berardi, Clements Ribeiro and Julien Macdonald.

The increase in media coverage encouraged established British designers to move their shows back to London from Paris, Milan or New York. John Rocha returned from Paris last season, and this time, Ghost is coming back from New York. Patrick Cox, the shoe designer, whose London-based business has annual sales of £25m, will stage the first catwalk presentation for his clothing collection in Chelsea, London, tomorrow.

The publicity generated by London Fashion Week has made it easier for new designers to secure sponsorship for their shows, which can cost up to £100,000 ($161,000) to produce. American Express is backing Alexander McQueen this season, while Marks and Spencer is sponsoring 10 young designers, including Julien Macdonald.

This support will be sustained only if London Fashion Week can maintain its recent high profile.

Stylistically, the omens for British designers look good this season, because international fashion is moving towards the quirky, artisanal look at which they excel. But from a commercial perspective, conditions are worsening.

One catalyst for London's receot revival has been the general buoyancy of the global fashion market. However, the market is now slowing, largely because Japanese expenditure on western products has been depressed by the weak yen.

As the market becomes tougher, British designers will face increased competition from longer established European and US brands, such as Gucci, the Italian fashion group, which warned yesterday that its profits growth would slow during the second half of this year.

Mr Ward says the BFC is working behind the scenes to help British designers strengthen their businesses. One initiative has been to encourage mainstream retailers to work with designers as consultants, as Marks and Spencer does with Ghost, and Dorothy Perkins with Clements Ribeiro.

The council is now stepping up its efforts to forge a closer rapport between British clothing manufacturers and designers, many of whom produce the clothes shown at London Fashion Week in French or Italian factories.

Gucci profits, Page 15

Alice Rawsthorn

Neil Mcinerney

Alexander McQueen: helping to focus interest on London

Inward investment 'helps to sustain exports'

By Richard Adams, Economics Staff

Investment from other countries in the UK car and electronic goods industries is helping to ensure that British exports do not suffer a collapse caused by the strength of sterling.

The investment, especially by Japanese and South Korean manufacturers, has allowed UK industry to avoid the steep drop in exports seen in 1988, according to research to be published next week by Capel-Cure Myers, fund managers based in the City of London.

The research comes as the Office for National Statistics today publishes the latest visible trade figures. Some forecasters are predicting a trade gap of just £150m ($241m) – which would be the lowest deficit in 12 years.

Simon Rubinsohn, chief economist at Capel-Cure Myers, said the scale of the investment from other countries means the export sector is far healthier than in 1988, when the UK recorded a big current account deficit equal to 6 per cent of GDP.

Mr Rubinsohn said that in 1988, Japanese companies produced only 56,500 cars in the UK, less than five per cent of total industry output. But by 1995, production by the UK factories of Nissan, Toyota and Honda made up 25 per cent of the total, and accounted for nearly 40 per cent of car exports.

Similar trends have taken place in other areas of manufacturing. After investment by companies such as Sony and Panasonic, the UK exports more computers and television sets than it imports.

"We believe the reason why exports have proved quite so resilient is the increasing foreign domination of manufacturing industry," Mr Rubinsohn said. "This has encouraged the introduction of more efficient production techniques, and a more attractive range of products."

Mr Rubinsohn also notes that Japanese companies have plenty of experience dealing with a rising exchange rate. "They have, after all, had to contend with the appreciation of the yen through much of the past 15 years," he said.

The continued good performance of UK exports, in spite of the 20 per cent appreciation of sterling against the UK's major trading partners, has puzzled analysts and government policymakers.

For example, in July the UK's trade gap with countries outside the European Union fell to a deficit of just £65m, after a £700m deficit in June.

Salomon Brothers, the investment bank, is forecasting that July's visible world trade deficit will be just £150m, the lowest since 1985.

Oxford may lose financial privileges

By John Kampfner and Simon Targett

The government is considering abolishing the special financial privileges for Oxford and Cambridge universities. The decision is likely to follow proposals from the Higher Education Funding Council of England, which is understood to be looking at ways of re-directing resources from the two ancient seats of learning across the cash-strapped university sector.

Higher education is facing a £3bn ($4.8bn) shortfall in revenues by the end of the century. The government announced in July, to strong criticism, that it was accepting the recommendations of Sir Ron Dearing's committee on higher education that tuition fees of £1,000 be charged from next year to all but the poorest students.

Oxford and Cambridge vice-chancellors would almost certainly call for "top-up-fees" – supplementing the new tuition fee – to take account of what they say are the higher costs of running world class institutions.

This could bring the universities into confrontation with the government, which has said it will introduce legislation to prevent such extra charges being levied.

The council's report is due to be sent to ministers in November. While several options are being looked at, ministers say they would welcome suggestions that the £35m extra funding for Oxford and Cambridge be phased out.

Vice-chancellors of both ancient institutions are already lobbying the government to resist any significant change to the funding formula. They have warned ministers that Oxford's and Cambridge's places among the world's elite of universities, alongside Harvard and Yale, could be jeopardised.

Appearing yesterday before the House of Commons education committee, David Blunkett, chief education minister, said he wanted to see how colleges which have guaranteed wealth through a history of legacies and endowments could support the poorer colleges.

NI parties close to talks deal

By John Murray Brown in Belfast

Northern Ireland parties were last night close to agreeing a formula for the launch of long-delayed negotiations on a political settlement, as the pro-British Ulster Unionists appeared to have abandoned demands for a handover of paramilitary arms.

After a day of bartering over the wording of a procedural motion to allow the arms issue to be put to one side, the UK and Irish governments and the eight parties had still formally to launch the three-stranded discussions. These deal with the internal political arrangements for Northern Ireland, relations between Northern Ireland and the Republic of Ireland and between the republic and the UK.

The talks were due to reconvene last night in the search for an agreement which would end 15 months of procedural wrangling. A breakthrough would pave the way for the parties to meet on Monday to open negotiations on a constitutional settlement for Northern Ireland.

The Ulster Unionist party appears to have set out to engineer a form of words which Sinn Féin would be unwilling to endorse, thus attempting to isolate its sworn enemies. A senior UUP official said the "question is whether the pan-nationalist front splits or nothing happens".

David Trimble, the Ulster Unionist leader, insisted that decommissioning was not a "dead letter". But Ken Maginnis, the party's security spokesman, appeared to concede his party had had to compromise "because of the actions of our own government".

Mr Maginnis said unionists "have to live in the real world". He said decommissioning was "not something we'll achieve overnight".

The wording of a procedural motion to launch the three-stranded process is understood to refer to unionist concerns, but to fall short of making decommissioning a requirement for progress.

The parties were expected to ratify General John de Chastelain as chairman of the independent agency to monitor the decommissioning of paramilitary arms in parallel with progress in the talks.

As part of a compromise with the government of the Republic of Ireland, the contentious area of north-south links and cross-border bodies, will now be co-chaired by Gen Chastelain and George Mitchell, the former US senator chairing the overall talks.

PA News

Alex Salmond (right), leader of the Scottish National party, said yesterday at the start of its annual conference that the party had "the best opportunity in its history" to advance. Mr Salmond is seen arriving at the conference on the Isle of Bute with a piper in traditional dress. The opening of the Scottish parliament in 2000 will give the party a far stronger platform than it has had before. Mr Salmond believes Scotland will be independent in less than 15 years

UK NEWS DIGEST

Warning on oil investment

Investment in the North Atlantic oilfields could be threatened if Greenpeace, the environmental pressure group, is allowed to bring a legal challenge to the government's granting of exploration licences, the High Court in London heard yesterday.

Oil companies granted licences would have to gamble on winning the judicial review and commit many millions of pounds ahead of the case which would be heard in November this year, Duncan Ouseley, a lawyer for 30 oil companies, said.

The search for oil required a big commitment of investment to the UK by the companies, which include BP, Shell and Elf, and instability in the "political-legal framework" was capable of driving it away, he said.

If the companies had to wait until after a November hearing, drilling rig owners would seek contracts elsewhere and the oil companies would not be able to comply with the terms of their contracts which required operation to start next year, he said. "There is a drilling operation next year. If we don't enter contracts fairly soon, the opportunity will be lost," he said.

The hearing continues today and judgment is expected on Friday. *John Mason, London*

■ DEFENCE EXPORTS

Kuwait orders missile system

The Kuwaiti government has ordered a Sea Skua guided missile system from Matra BAe Dynamics, the missile venture between British Aerospace and Lagardère of France. The order, understood to be worth about £80m ($128.8m), includes the weapons as well as equipment to be fitted on Kuwaiti patrol vessels and training.

The missiles will be supplied under arrangements agreed between the British and Kuwaiti governments after the Gulf War.

The contract is believed to be larger than any of four previous orders for the system, which is also used by Britain's Royal Navy.

Its completion follows a visit to Kuwait by George Robertson, chief UK defence minister, who said: "Sea Skua was a major factor in winning the naval battle during the liberation of Kuwait and will be a great enhancement to Kuwait's ability to deter and combat any future aggression." *Alexander Nicoll, London*

■ FILMS

Alliance invests in UK

Alliance, the Canadian entertainment group, is diversifying into the UK film industry by acquiring Electric Pictures, the film distributor, and investing in a new production company founded by George Faber, the BBC's former head of drama.

Alliance owns Canada's largest film distributor and has produced independent north American pictures such as David Cronenberg's *Crash* and Atom Egoyan's *The Sweet Hereafter*. Other north American entertainment groups, including most Hollywood film studios, have already stepped up their investment in the UK.

Mr Robert Lantos, Alliance's chairman, said it was keen to tap into the "big pool of highly exportable film production talent", adding that there was room for a new entrant to the production sector. "There are fewer film distributors in Britain than in Canada, where the population is half the size," he said. Alliance intends to turn Electric Pictures into its UK distribution arm under a new name, Alliance Releasing. Over the next year, it expects to release up to 15 films in the UK, mostly independent productions. *Alice Rawsthorn*

■ AGRICULTURE

Prince backs organic food

The Prince of Wales yesterday deplored the nation's failure to satisfy its consumers' demand for organic food. In a video message of support to a conference on organic food being held in Oxford the prince said organic farming had come of age.

"This country has played a major part in the development of organic agriculture," he said. "But sadly our home production now lags so far behind the demands of the market that we seem likely to remain net importers of organic food for some years to come."

His message to the International Federation of Organic Agricultural Movement's gathering was recorded at Highgrove, the centre of his own organic estate. Jack Cunningham, agriculture minister, said at the conference that the support they received from the government was "unsatisfactory".

It was the first time a senior UK agriculture minister had addressed such a conference. The UK lags behind the rest of Europe in the subsidies granted to organic farmers and in the proportion of land devoted to farming without the use of chemicals.

■ RAIL CRASH

Inquiry into train safety systems

The public inquiry into the train crash which killed six people in west London last Friday will carry out a thorough review of the automatic systems in use to warn drivers of danger, the Health & Safety Executive announced yesterday. The investigation is expected to spend several months reviewing the advance warning equipment and automatic train protection system installed on the Great Western express from south Wales which ploughed into a freight train. It is not clear if both systems were operating at the time of the crash.

The inquiry will be headed by an independent safety expert, Mr Tony Barrell, a former HSE investigator who headed an upgrading of safety in the North Sea oil and gas industry following the fire on the Piper Alpha oil platform. If the HSE discovers safety flaws which require speedy action before the conclusion of the inquiry it has the power to recommend immediate measures. John Prescott, deputy prime minister and chief transport minister, said: "This is a wide-ranging inquiry which will leave no stone unturned." *Charles Batchelor, London*

Statistics move the goalposts for pay-per-view soccer

Report predicts armchair fans could generate $840m for Premier League clubs through the sale of live games by 2003-04

No ooe was able to accurately judge how many soccer fans each Premier League club had, until todsy's report by Fletcher Research, the business publisher, and Oliver & Ohlbaum, the media consultancy.

This is a potent set of data. Investors can now estimate how many armchair fans could potentially watch each club's matches on pay-per-view television, or buy its team shirts, credit cards and other paraphernalia.

Most clubs have far more fans than they can fit in their stadiums. Manchester United, for instance, has 3.3m fans and a ground that seats only 55,000. Of the 18m people in England and Wales who call themselves football supporters – 35 per cent of the population – more than 7m support either Manchester United, Liverpool or Newcastle United.

With ground capacity limiting gate receipts, and pay-per-view TV expected to arrive in 1999, armchair fans are the key to building revenues, say Neil Bradford and William Reeve, the two former McKinsey consultants who wrote the report.

Manchester United and Liverpool, the only two clubs with supportars natiunwide, should achieve comparable sales per fan. Yet United fans epend £11.90 ($19.15) each a year on average, or more than three times as much as Liverpool supporters do. Liverpool conld, therefore, treble its off-pitch revenue per fan.

Paul Wedge, analyst at Collins Stewart, says the figures on supporter numbers suggest what a club's potential revenue is. But he adds: "The merchandising spend is as much a reflection on the management as it is on the fans. Nottingham Forest, for instance, didn't have a single computer until six months ago." Income from the sale of television rights will remain the fastest growing source of revenue for football clubs, the report says.

The authors predict the sale of live football games to broadcasters will generate £520m ($837m) for the Premier League by the 2003-04 season compared with the £135m 20 clnbs will share this year.

Most revenues will come from pay-per-view coverage of games: £280m against £240m from British Sky Broadcasting's existing subscription service.

These figures are based on the assumption that in seven years' time 2.5m households will be subscribing to watch some football on a pay-per-view basis, generating £450m of total revenues for the broadcaster and the clubs. Some recent forecasts have suggested pay-per-view could generate more than £1bn additional revenues for soccer by 2003-04.

But Fletcher assumes BSkyB will keep profiting greatly from soccer. The satellite broadcaster is estimated to be already making £125m a year in profit from the current four-year £670m deal with the Premier League, and the report says it will make an additional £100m in profits annually from pay-per-view.

But – and it is a big but – the authors warn that the clubs, especially the most popular ones, will probably demand a bigger share of the spoils from BSkyB when pay-per-viaw comes fully on stream in the 1999-2000 season.

Tha report also warns that the Premier League might abandon BSkyB whan the current deal ends in 2001 and set up its own subscription television channel, as Oliver & Ohlbaum suggested it might in a report to the top 20 clubs in June.

Also, within the next four years, clubs may start their own television channels that could show their games to subscribers. Both Leeds United and Manchester United have recently talked to media groups about establishing broadcasting partnerships.

Tha latter might possibly announce a deal to set up a dedicated club channel next week at its annual results presentation.

Simon Kuper
Patrick Harverson

Cinema/Nigel Andrews

All in thrall to guilts and fears

The best film of the week is from Canada. But be warned, it is a funny old week. Which of three movies triangulating between British Columbia, London and the US you enjoy most may depend on your views on fate and predestination. Main question: is it a divinity that shapes our ends or a satanic maleficence?

"There is no such thing as an accident," rasps Ian Holm's compensation lawyer in Atom Egoyan's weird, flawed but mordantly imaginative *The Sweet Hereafter*. This pent-up little man investigating a school bus crash in snowy Canada which lost 20 young lives may be right. His face is gridded with wrinkles from chasing down human folly. His no-accident creed means someone *always* did something wrong: failed to tighten a screw or grease an axle.

But audiences know another no-accident theory. That of art. Nothing is accidental in art because the artist thought it all up: every bit of happenstance is itself a screw or axle in the engine of meaningfulness, divine or diabolic.

Canadian director Atom Egoyan, that cunning engineer of parallel serendipities who made *Exotica* and *Family Viewing*, makes the crash in *The Sweet Hereafter* even less accidental, or at least more portentous, than in Russell Banks's original novel. The film could be called "The Bus Of San Luis Rey". Egoyan swaps Thornton Wilder's convergent victims of a collapsing bridge for the townful of children

THE SWEET HEREAFTER
Atom Egoyan

CONTACT
Robert Zemeckis

FACE
Antonia Bird

THE LEADING MAN
John Duigan

who die here, after their bus skids into a frozen lake, as if with the express aim of catalysing a debate about truth, healing and community.

The film is both masterful and frigid, powerful and naggingly programmatic. In Egoyan's world everyone is in thrall to their guilts and fears, so that the barrowed parents are scarcely different from Holm himself, gnawed by his own father-daughter battle stress. She is a drug addict who left home and now drifts through dad's flashbacks. "We've all lost our children," intones Holm, "they wander comatose through shopping malls..." And in case we *still* feel the lost children theme is underplayed, the Pied Piper of Hamlin story is added as a *leitmotif*.

Egoyan has a wonderful eye for shots that rise above reality. Literally, with crane-soarings over the white mountain roads. Subtly, with tableaux that gather up characters in a figurative transcendence, enwrapped with their rooms, lifestyles or possessions. The hippyish couple in their A-frame house like a giant teepee; or the mother whose cramped, dim-lit, discordant sitting room is like the kaleidoscopic photos she creates.

But the film leaves one, perhaps designedly, uneasy. We start out battling for honesty and justice with Holm. By the close we are asked to turn on him and accept a "lie" that will heal the community's wounds. Nearly everyone in the town has found solace and accommodation, by treating a callous fate with a designer arbitrariness in its way no less brutish and disturbing. Only truth-seeker Holm, and some members of the audience, feel left out in the cold.

★

No one is left out in the cold by *Contact*. Directed from Carl Sagan's novel by Robert *Forrest Gump* Zemeckis, the two-and-a-half-hour sci-fi fable nearly drowns us in hope, warmth and metaphysical inspiration. Jodie Foster is the scientist crouched under radar dishes the size of Blenheim Palace as she seeks, and finally receives, murmurings of extraterrestrial intelligence. Matthew McConaughey is the White House-advising man of God who loves her but fights against sending an atheist like her as an ambassador into space. And Bill Clinton walks through the film as Bill Clinton, mouthing archive speeches naughtily twisted to fit the plot.

If the devil is in the detail, with James Woods, Tom Skerritt and Rob Lowe as assorted establishment scoundrels, God is in the grand design. When little Jodie lost her dad (flashback flashback), she lost her own paternal deity. Now she rediscovers faith by blasting off into the unknown, bringing back revelations that no one believes. But then, suggest Zemeckis/Sagan, isn't that like religion itself?

Nothing is accidental: Ian Holm as the truth-seeker left out in the cold in 'The Sweet Hereafter'

Then again, just so that the story can hedge its bets, it could all be a hoax. It could be masterminded by millionaire John Hurt, a sort of interstellar Ted Turner. Now in an earthly penthouse, now on the Mir space station, Hurt dispenses the same mischievous cosmic riddles in a jokeshop American accent: "I find it convenient to keep my interests mobile". At least the real, new, give-away-a-billion Ted Turner would be happy with the film's ending. Foster (acting superbly throughout, kitschy plot or not) is greeted by a vast Washington sea of UN-blue hats, flags and placards as she walks from a senate hearing into a new dawn of global – nay, universal – faith and accord.

★

In *Face* everyone runs around with wool on their heads yelling and screaming. It must be a heist film and writer Ronan Bennett must have had what he thought an original idea: thieves fall out after a robbery. A gang ram-raids a security depot and when the things go wrong suspect one of their number of betrayal. The killings begin; though before you cry "*Reservoir Dogs*" let us point out that the crooks are British, the traitor stole the loot rather than tipped the police, and no one has his ear sliced off.

Otherwise it is business as normal. The pace is fast, the cast is willing, notably Robert Carlyle as gang leader and Philip Davis as gang psycho, and the characters exchange spry non-sequitur dialogue while wielding heavy weaponry. "The one disease of this society is cynicalism" says one crook (burly Ray Winstone). "Prison really is going downhill" wheezes an old lag (Peter Vaughan).

So, finally, goes the film. The high energy and loud music provided by director Antonia Bird (of the more thoughtful *Priest*) fail to carry us through a third act rendered precipitate and implausible by bits of political consciousness-raising – Carlyle's placard-carrying mum reminds him of his roots as a leftwing idealist – and by a body count bordering on the farcical. "This has gotta be the worst day of my life," says Winstone just before keeling over. The line is funny, but at this point in the frenzy we are not sure if it is meant to be.

★

The Leading Man is full of luminous but lost-looking supporting players. What ever are Barry Humphries, David Warner, Patricia Hodge and Diana Quick doing in this torpid backstage intrigue that cannot make up its mind if it is a comedy, a thriller or a love story? No doubt they were trawled from Shaftesbury Avenue during a talent-fishing expedition by director John Duigan, usually a talented man himself: see *Flirting* and *The Day My Voice Broke*.

This film, written by his sister Margaret, plays like *The Severed Head* out of Agatha Christie. The playwright (Lambert Wilson) loves the actress (Thandie Newton), who is flirted with by the leading man (John Bon Jovi), who has been hired by Wilson to seduce his wife (Anna Galiena). Shots ring out, but too late. There is one witty scene, but too early. Better to catch *The Mousetrap*.

Theatre/Sarah Hemming

Heart of the matter

At the start of Caryl Churchill's *Blue Kettle* the 50-year-old mother says, "I can't speak": but speak she does, despite being overcome with emotion at the first sight of her long-lost son. This paradox is at the heart of Churchill's scintillating double bill of plays. We have all experienced those moments when something of great significance is happening, and yet we find ourselves uttering banalities or carrying on with a household task. It is this strange dislocation that Churchill explores; and she does so using all her wit, compassion and formal daring.

The two plays, *Heart's Desire* and *Blue Kettle*, are unrelated, but complement one another to form *Blue Heart* (co-produced by Out of Joint theatre company and the Royal Court). The first play operates as an entertaining theatre game. A father, mother and aunt awaiting the return home from Australia of a grown up daughter, lay the table and row with one another. But Churchill keeps stopping and restarting the action, allowing a different outcome each time. The result is very funny, as Churchill demonstrates how quickly the play can be plunged into melodrama, farce or surrealism.

But this is not merely a postmodern prank; Churchill explodes the audience's expectations to reveal the emotional pressures that are usually kept battened down by daily habits, but here come forcing through like molten lava. The cumulative effect means that, when she finally allows the whole sequence to run from start to finish, we are painfully aware of the shadows of the alternatives we have seen.

Picking up where *Heart's Desire* left off, *Blue Kettle* is still funny, but darker and sadder. This time, what breaks down under the weight of grief and longing is the language rather than the action of the play. Derek is a conman who deceives elderly women into believing that he is the son they gave up for adoption as a baby. Thus he has acquired a range of "mothers": a needy one in her 50s (Valerie Lilley); a plain-speaking one in her 60s (Mary Macleod); a glamorous one in her 70s (Eve Pearce) and a bluff blue-stocking in her 80s (Anna Wing). We despise him as he plays on their tormented feelings at seeing him; but then, when we see him with his real mother, a hospitalised victim of senility, we realise that there is another side to his deception.

Churchill pulls us into the damaged sensibilities of everyone caught up in this scam and, as the situation intensifies, people begin to stumble over words, substituting "blue" and "kettle" for the word they meant. By the end, the two words have devoured nearly all normal discourse and the final scene, where mother and "son" are reduced to halting communication in single consonants, as the young mother and her new baby must have been 30 years earlier, is heartbreaking.

As so often, Max Stafford Clark appears to have directed with a scalpel in one hand and a thermometer in the other, so precisely nuanced, so clean, nimble and true is his production. This precision serves marvellously: in the first play, the actors rewind and repeat their actions as perfectly as if on a video tape; in the second, they forge through the fractured dialogue to find the truth of each moment: Jason Watkins' shifty, pliant Derek is a wonderful foil to the women, each of whom suggest both extraordinary stoicism and terrifying fragility. Beguilingly clever, yet surprisingly moving, these two playa home in on the gaps between thoughts and words, and thoughts and deeds.

Alastair Muir

Valerie Lilley and Bernard Gallagher

Continues at the Royal Court Theatre at the Duke of York, London WC2 (0171-565 5000).

Theatre

Courtly love in limbo

In casting around for a succinct phrase to describe the latest offering from the Moti Roti company, *One Night*, the words "quart into a pint pot" refuse to be dismissed. This is a show in which themes and presentational styles overlap, collide and unfold into one another in a manner which acquires coherence with hindsight, but at the time is frankly bewildering.

We first see harassed film critic Kalum (Kriss Dosanjh), before dissolving into a scene in a house of courtesans. It eventually becomes apparent that this is a film Kalum is watching on the VCR in his study (I suppose the Bollywood-style playback song-and-dance sequence should have given that game away); that he wrote its script; and finally, that it is an idealised revision of events in his own early life in India.

Cut, again, to a gathering of graduating students, at which Munni (Zitta Sattar), who turns out to be Kalum's daughter (are you following this?) is at the apex of a triangular relationship involving, well, the same two actors who play the courtesans' clients. That last observation is a red herring, but until two hours later one is hard pressed to know for certain.

Prabjot Dolly Dhingra's script is adroit at feeding us information gradually rather than presenting it all on a plate. The difficulties arise from the sheer volume of *stuff* in there.

The play aims to address the semi-classical world of courtesans, where love is at once courtly and commercial; the limbo of a first immigrant generation, torn both culturally and geographically between India and England; and contemporary youth, for whom Indian culture manifests not in millennia of heritage, but in the peculiarities of their parents' generation.

The staging veers from youthful exuberance to middle-aged, middle-class circumscription to artificial dazzle, complete with incense and fountains. Occasionally worlds, and playing modes, merge. If anyone can explain what that absurd disco sequence is doing in the final quarter-hour of the show, I shall be most grateful.

What seems to have happened is that director, Keith Khan, and his creative collaborators have concerned themselves with the overall picture at the expense of individual performances. Either actors have been left to fend for themselves, or Khan has simply been unable to smooth out the bumps between: for instance, the brash naturalness of Sattar, the muted angst of Dosanjh and the mile-broad cartooning of Laila Khan as Kalum's helpmeet, Leela. All of these styles go beyond mere characterisation to the heart of the performances – to the point where, although sharing the same scene, they might be in three different plays.

One Night is a tremendously rich show; there is always more than enough to look at and listen to. Why all these ingredients are present, and whether they can all fit into the same theatrical box, are separate questions.

Ian Shuttleworth

Theatre Royal, Stratford East, London E15, until October 4 (0181 534 0310).

INTERNATIONAL

ARTS GUIDE

AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Moving Target: by Frédéric Flamand. Performed by Charleroi/Danses-Plan K; Sep 26, 30

OPERA
Het Muziektheater
Tel: 31-20-551 8911
Das Rheingold: by Wagner. Nederlandse Opera. New productinn, directed by Pierre Audi and conducted by Hartmut Haenchen; Sep 26

BERLIN

CONCERTS
Kammermusiksaal, Philharmonie
Tel: 49-30-2548 8354
● András Schiff performs Schubert piano sonatas; Sep 26
● Emerson Quartet: in works by Janácek, Rihm, Bredemeyer and Smetana; Sep 27
● Emerson Quartet: in works by Schumann, Rihm, Bredemeyer and Janácek; Sep 28

Philharmonie
Tel: 49-30-2548 8354
● Berlin Philharmonic Orchestra and the Rundfunkchor Berlin conducted by Claudio Abbado in works by Mahler. With soprano Christiane Oelze and mezzo-soprano Marjana Lipovsek; Sep 26, 27, 28
● Deutsches Symphonie-Orchester Berlin and tha Ernst Senff Chor conducted by Gary Bertini in works by Blacher, Henze and Mahler; Sep 28, 29
● Maurizio Pollini performs works by Chopin and Debussy; Sep 25

DANCE
Deutsche Oper
Tel: 49-30-34384-01
Deutsche Oper Ballet: programme of two works by MacMillan – Concerto and Das Lied von der Erde; Sep 26

OPERA
Deutsche Oper
Tel: 49-30-34384-01
● Aida: by Verdi. Staged by Götz Friedrich, with sets and costumes by Pet Halmen; Sep 25
● Die Zauberflöte: by Mozart. Staged by Günter Krämer, with sets and costumes by Andreas Reinhardt; Sep 27

BRUSSELS

OPERA
La Monnaie Tel: 32-2-229 1211
Otello: by Verdi. New production conducted by Antonio Pappano in a staging by Willy Decker. Cast includes Susan Chilcott as Desdemona; Sep 27

CHICAGO

OPERA
Lyric Opera of Chicagn
Tel: 1-312-332 2244
Nabucco: by Verdi. New production staged by Elijah Moshinsky and conducted by Bruno Bartoletti. Cast includes Maria Guleghina and Samuel Ramey; Sep 26, 29

KASSEL

EXHIBITIONS
Various venues
Documenta: giant five-yearly survey of contemporary art which takes place all over Kassel. Starting at the old railway station, this tenth edition has been selected by French curator Catherine David; to Sep 28

LONDON

CONCERTS
Barbican Centre
Tel: 44-171-638 8891
● Anna Tomowa-Sintow: programme includes music by Strauss and Verdi. John Arnell conducts the Orchestra of the Royal Opera House; Sep 26
● London Symphony Orchestra: conducted by Mstislav Rostropovich in works by MacMillan and Tchaikovsky. With violin soloist Maxim Vengerov; Sep 28
● Midori Chamber Evening: programme of works by Debussy, Ravel, Saint-Saëns and Fauré. With pianist Robert McDonald, cellist Moray Welsh and viola Paul Silverthorne; Sep 27

Royal Festival Hall
Tel: 44-171-928 8800
● BBC Symphony Orchestra: conducted by Andrew Davis in works by Webern, Berg and Schoenberg; with violin soloist Pierre Amoyal; Sep 26
● Philharmonia Orchestra: conducted by Kurt Sanderling in works by Weber, Bruch and Beethoven; with violin soloist Sarah Chang; Sep 27

OPERA
Barbican Theatre
Tel: 44-171-638 8891
The Royal Opera: Giulio Cesare, by Handel. The season npens with this new production, directed by Lindsay Posner and conducted by Ivor Bolton, with designs by Joanna Parker. Cast includes Amanda Roocroft and Ann Murray; Sep 25, 28

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Budapest Philharmonic Orchestra: conducted by Friedrich Haider in e programme including works by Saint-Saëns and Bernstein. With soprana Edita Gruberova; Sep 26
● Munich Philharmonic Orchestra: conducted by Simone Young in works by Mozart and Schumann. With violin soloist Julia Fischer; Sep 25
● Prague Chamber Orchestra: in works by Mozart, with baritone Thomas Quasthoff; Sep 30

DANCE
Bayerische Staatsoper
Tel: 49-89-2185 1920
Bayerische Staatsballett in a programme of works by Hans van Manen – Concertante, Grose Fuge and Black Cake; Sep 25

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
● Aida: by Verdi. Conducted by Roberto Abbado and directed by David Pountney, with sets by Robert Israel; Sep 26
● Le Nozze de Figaro: by Mozart. Conducted by Peter Schneider in a staging by Dieter Dorn. Cast includes Amanda Roocroft and Alison Hagley; Sep 27, 30
● Peter Grimes: by Britten. Conducted by Jun Märkl in a production directed by Tim Albery. The title role is sung by Philip Langridge; Sep 28

NEW YORK

OPERA
Metropolitan Opera, Lincoln Center Tel: 1-212-362 6000
● Ariadne auf Naxos: by Strauss. Revival nf a production staged by Elijah Moshinsky, with designs by Michael Yeargan; Sep 27
● Carmen: by Bizet. Revival of a production by Franco Zeffirelli; Sep 25, 27, 30
● Manon: by Massenet. Revival of a staging by Jean-Pierre Ponnelle; Sep 26

New York State Theater
Tel: 1-212-870 5570
● L'Italiana in Algeri: by Rossini. New York City Opera/ Glimmerglass Opera. Conducted by George Manahan and directed by Christopher Alden; Sep 27, 30
● La Traviata: by Verdi. Revival of Renatta Scotto's New York City Opera production, conducted by Emmanuel Joel; Sep 25, 28
● Macbeth: by Verdi. New York City Opera. New production directed by Leon Major and donducted by George Manahan; Sep 26

PARIS

CONCERTS
Théâtre des Champs Elysées
Tel: 33-1-49525050
● Orchestre National de France: conducted by Charles Dutoit in works by Debussy, Schumann and Berlioz. With piano soloist Michel Dalberto; Sep 25
● Cellist Sonia Wieder-Atherton and pianist Jean-Claude Pennetier perform works by Fauré, Beethoven and Brahms; Sep 28

DANCE
Théâtre des Champs Elysées
Tel: 33-1-49525050
Ballet National de Nancy et de Lorraine: Programme 1 – Including works by Balanchine and Kylian; Sep 26, 29. Programme 2 – Giselle, adapted and choreographed by Pierre Lacotte; Sep 27, 28

EXHIBITIONS
Musée National d'Art Moderne, Centre Georges Pnmpidou
Tel: 33-1-4478 1233
Famand Leger: retrospective of the early modernist, who emerged from the Cubist revolution to move towards abstraction, but whose experiences in the war and socialist principles led him back to figurative painting. The exhibition will travel tn Madrid and New York; to Sep 29

OPERA
Opéra National de Paris, Opéra Bastille Tel: 33-1-44731300
Turandot: by Puccini. New production by Francesca Zambello. Conducted by Georges Prêtre; Sep 25, 28

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10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

Economic Viewpoint · Samuel Brittan

Bank held to account

The test of the UK's new monetary policy system will be how effectively parliament can monitor the Bank of England's key decisions

The expression "democratic deficit" is often applied to the European Union. It refers to the fact that powers have been delegated by member countries to the Union's institutions, but that no satisfactory method has yet been found of making them accountable to European electorates.

It is less often realised that a similar problem can arise on a national scale. The Bank of England was made "operationally independent" by Gordon Brown, the British chancellor, in May. But arrangements have still to be worked out for making the Bank in some way accountable to elected representatives.

There are two dangers coming from opposite directions. One is that the Bank will not be sufficiently independent. The governor and deputy governors are appointed for five years and the four outside members of the new Monetary Committee for three years at a time – all by the government of the day. Moreover, the inflation target – now 2½ per cent a year over the next two years – is laid down by the chancellor. So far there is no sign of political bias in the appointments to the Bank. But arrangements need to be robust in the face of changing chancellors and political circumstances as elections approach.

The opposite danger is that the Bank will be judge and jury in its own case and will interpret its inflation mandate with little attention to outside opinion. The two dangers are not mutually exclusive. A politically packed Bank would be particularly likely to be insensitive to outside critics.

In this situation the responsibility for injecting the "voice of the people" rests squarely on the Commons treasury committee to which the Bank will report. This committee has had experience of taking evidence from chancellors and governors and similar dignitaries. The new chairman, the Labour MP Giles Radice, chaired in the last parliament a subcommittee that recommended more independence for the Bank, thereby surprising those who thought the idea uncongenial to Labour. But hitherto the Commons committee has been able to question the Bank only on the latter's role as adviser to the chancellor and technical implementor of his policy.

One important suggestion is that a new governor – and perhaps other key appointments – should have to be ratified by the treasury committee, as the chairman of the Federal Reserve has to be approved by Congress. Even if the government refuses to accept this as a legal requirement, the committee should scrutinise appointments in the name of the Commons.

The worst (although I think unlikely) danger is that the committee will take a minimalist view of its function. By this I mean that it accepts without discussion the inflation target, the two-year horizon and the absence of other objectives. The committee should not be fobbed off by being told that the inflation target is decided by the chancellor. The target is not born fully formed like Athene out of the head of Zeus. It is the result of much discussion in both the Treasury and the Bank and, one would hope, between them. Moreover it is to be set anew at the time of each Budget, which could provide an opportunity for considering outside views.

There was much to be said for the 1 to 4 per cent inflation band originally put forward by Norman Lamont, the former chancellor, in 1993, but which was afterwards narrowed by Treasury and Bank pronouncements. The mid-point of this range was the same as the present 2½ per cent. But the wider range had the advantage of not demanding too precise a path for inflation. Aiming for excessive stability may be destabilising.

Moreover, the wider band would have made it easier to slip in a role for real growth without yet another change of monetary regime. If inflation is around 1 per cent, real growth of up to 4 per cent might be contemplated. If inflation is 4 per cent, growth of that speed would be a danger signal. So with that band we might have approached by the back door a nominal gross domestic product objective of around 5 per cent a year and not run policy on the assumption that real growth is itself dangerous.

It can also be argued that the two-year time horizon is badly chosen. It is too short from the point of view of strategy. Inflation of 3 or 4 per cent in two years' time may be acceptable as a top-of-cycle rate, but completely unacceptable if it is the start of a longer-term inflationary take-off. A crude examination of rival two-year forecasts sheds little light on the matter.

On the other hand two years is long enough to provide a field day for forecasters, as it is too far ahead for those of us who want to put some emphasis on what can actually be seen to be happening. Indeed it would be particularly sad if committee members allowed themselves to be instruments of rival forecasters wanting to dispute the exact decimal point of the Bank of England's central projection. We are overwhelmed with economic forecasts, even without the committee's efforts. The committee's comparative advantage lies in probing underlying thinking and strategy. If it gets too involved in forecasting, the Bank is likely to win game, set and match.

One alternative to depending so heavily on formal econometric forecasts is to go by market-derived inflation projections. These are based on the difference between the yields on conventional and indexed gilt edged securities. Professor Milton Friedman recently suggested to me that the Bank should use such market projections as a guide, as well as operating with a wide target range for inflation of –3 to +3 per cent.

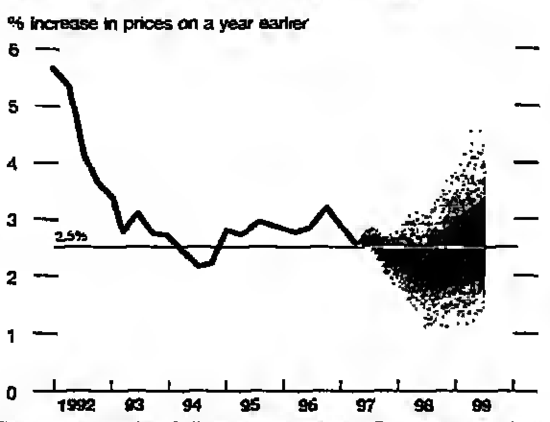
The Bank's Inflation Reports used to exhibit such market-derived projections in a prominent position in the final chapter. But in May and August these were relegated to a minor position in the Quarterly Bulletin, outside the Inflation Report itself. The Bank may have been embarrassed by the fact that market-based inflation projections dropped by more than half a percentage point on the announcement by the chancellor in May of the new monetary arrangements – just at the time when it was getting ready for further interest rate increases. More recently it may have suffered the opposite embarrassment of seeing that, despite its policy moves, these projections still show expected inflation averaging more than 3 per cent over the next three years.

Although economic and monetary union is not its central concern, the treasury committee cannot overlook the obvious possibility that a government may recommend membership for early next century. It would be wrong to establish a domestic monetary regime that made the transition unnecessarily difficult.

Where there is little difference in merit between alternative procedures, or the arguments are finely balanced, why not give the benefit of the doubt to Emu-compatible arrangements? One example – desirable in itself – would be to give the Bank a more formal role in setting the inflation target, as the New Zealand Reserve Bank already has. Another more technical proposal would be to try to minimise differences in relation to minimum reserve requirements. The movement on the Continent is away from them. Why not make a gesture by having very small requirements in the UK?

This article is based on the author's evidence to the Treasury committee

Latest Bank inflation projection (RPIX)



The chart shows the relative likelihood of possible outcomes. The deepest shade includes the central projection: there is judged to be about a 10% chance that inflation will be within that central band at any date. The next deepest shade, on both sides of the central band, takes the distribution out to 20%; and so on, in steps of 10 percentage points. The Bank judges that the risks are more on the upside.

Source: Bank of England

BOOK REVIEW · William Dawkins

JAPAN: A REINTERPRETATION By Patrick Smith
Pantheon Books, $27, 385 pages

Anatomy of an identity crisis

In fact, the whole of Japan is pure invention. There is no such country, there are no such people – Oscar Wilde, The Artist as Critic

He was joking of course. But today Wilde's words, the opening to a book on Japan, unintentionally cast light on the predicament facing the country and anyone in business or government, who has dealings with the second largest economy.

Japan has a deeply confused identity. That is what makes it tantalisingly different from other industrialised nations. It makes it uniquely hard for the Japanese to define their own position, on important matters. It hinders the nation from assuming international rights and obligations commensurate with its wealth. And it hinders and frustrates outsiders who must deal with or understand Japan. For who can know or trust the Japanese if they neither know nor trust themselves?

The roots of Japan's identity crisis and possible solutions are the themes of this book by Patrick Smith, a US journalist who used to work in Tokyo. Smith understands and respects the Japanese, perhaps better than they admit to doing themselves. And as any honest observer, he comes out of the experience full of ambivalence.

Japan's identity has been largely imported for most of its history. The borrowing starts with Chinese ideograms, in which the nation even writes its own name, Nippon, in preference to an alternative Japanese phonetic alphabet. It continues with the wholesale import of western culture since the second world war and – most profoundly – with the use of a constitution more or less written by the US occupying powers.

Up to a point, Japan's ability to import and adapt is a secret of its economic development. But, argues Smith, importing much of your identity is also a weakness.

Take the state of modern Japanese popular culture. The busiest domestic tourist destinations are not the ancient capitals of Kyoto and Nara but ersatz theme parks. Alpine villages in Hokkaido, a replica of Amsterdam, an English village that runs courses in manners – take your pick. These are not just sanitised versions of the outside world, but also a replacement for a culturally impoverished domestic one, argues Smith. That is why he found Japanese theme parks melancholy entertainment.

Hokkaido's windmills are not nearly as out of place as that borrowed constitution, under which Japan gave up the right to use force overseas, handed over its defence to the US, and adopted a US model of parliament.

It used, until the end of the cold war, to be taboo for Japanese people to admit that such dependence on a wartime victor was the ultimate surrender of national identity. The consensus agreed with the view of Shigeru Yoshida, the post-war prime minister, that the pacifist constitution was a boon in that it relieved Japan of the costs of defence so as to allow it to plough all its energy into economic development. The US for its part, paid the bills gladly as insurance against the growth of Communism in Asia.

But now, a small number of Japanese are starting to question the constitution as a barrier to national identity – whatever that might be – that Japan must assume if it is to play an international role commensurate with its economic clout.

Every time Japan is asked to participate in United Nations peacekeeping, the government has to go through political contortions before it can agree to send troops. The criticisms it attracted in the Gulf war, when Tokyo at first refused to provide equipment and then grudgingly agreed to provide $13bn (£8bn), still cause policymakers pain.

Smith recalls a remark by Ichiro Ozawa, a former prime minister and one of the few Japanese politicians with any vision: "When we consider the burden that individual nations must bear in international society, it is questionable whether Japan has functioned fully enough to be called a 'nation' at all." A growing number of US politicians question the usefulness of paying for the defence of what is sometimes seen as a rapacious trade rival. Just imagine the furore if US servicemen were to die defending Japan.

So it is no surprise that Smith believes that a more distant relationship with the US would be healthy for Japan. Since that relationship is defined in the constitution, he argues, revising that document would be the first step. It is only a matter of time before the security treaty with the US also disappears, he believes. Other scholars have predicted the treaty's end, and they are probably right.

When that happens, should the west be glad or sad? Smith is honest enough not to give a clear answer. Many western governments want Japan to take a bigger role in the world, but remain ambivalent over accepting Japanese influence. Japan is ambivalent too. Smith suggests a more self-confident Japan would be an easier, more open partner and should be encouraged. It is hard to fault that.

Japan: A Reinterpretation is available from FT Bookshop by ringing +44 181 324 5511 or fax credit card details to +44 181 324 5678 (post and packing £1.50 in Europe)

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

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Debt relief proposals still leave most poor countries struggling

From Mr Ted van Hees.

Sir, Your leader "Debt and the millennium" (September 22) is welcome. The proposals of Gordon Brown, the chancellor, for a comprehensive agreement on debt relief for at least three-quarters of eligible poor countries by the year 2000 have been hailed for bringing a new dynamic into debt discussions by debtor countries and non-governmental organisations at the Hong Kong meetings of the World Bank and International Monetary Fund.

As things stand however, only six poor countries out of the 20 eligible will actually receive debt relief by the year 2000. This is less than a third. The rest are left waiting, struggling to maintain the precarious balance of economic reforms and democratic progress prescribed by the international community. Crippled by unsustainable debt burdens, they will not succeed. There have been many promises already; the test now is the implementation.

Ted van Hees,
co-ordinator,
European Network on Debt and Development,
Rue Dejoncker 46,
B-1060 Brussels, Belgium

Ambition on wrong track

From Ms Claudia Binaghi.

Sir, Paul Betts's delights from rail travel in Italy notwithstanding ("Sound of Music in the Italian Alps", September 22), I believe that the remarks of former Italian prime minister, Giulio Andreotti should not be dismissed outright: "esistono due tipi di matti: quelli che credono de essere Napoleone e quelli che pensano di risanare le nostre ferrovie" ("There exist two types of crazy people: those who believe they are Napoleon and those who think they can improve the National Railway).

Claudia Binaghi,
71 West 109th Street "5 B",
New York, NY 10025, US

Fare enough

From Mr R. Temple.

Sir, The Consumer's Association (Which?) again reports that air fares within Europe are at least double those of comparable distances in the US.

We are told that this is because of lack of competition caused by the shortage of landing and take-off slots.

The solution is simple and only requires the necessary political will to implement. Routes should be auctioned, with the contract awarded to the airline that puts in the bid with the lowest fares.

R. Temple,
3 Bramble Lane,
Sevenoaks,
Kent TN13 1SY, UK

More likely risk to Emu

From Mr Stephen Davies.

Sir, If faced in 2001 with the possibility of Emu breaking up, would Bernard Connolly (Letters, September 19) really be totally indifferent as to whether he was holding a D-Mark-denominated deposit with a German bank or a lira-denominated deposit with an Italian bank?

And if he would not be, how could financial institutions remain indifferent to the denomination of their assets and liabilities?

Faced with uncertainty about the nature of Emu, Italian banks, for example, would surely have a strong preference for deposits with them to be denominated in lire. They might encourage lira-denominated deposits by offering a more attractive interest rate or might simply refuse to let their customers denominate deposits in euros. If that happened there would no longer be a single currency.

The risk is not of a cataclysmic destruction of Emu by speculation but that the single currency would effectively cease to exist because commercial banks had lost confidence in it.

Stephen Davies,
economic research executive,
Institute of Directors,
116 Pall Mall,
London, SW1Y 5ED
UK

Bridges are barred

From Mr Alon Kaplan.

Sir, I read with great interest Mr Riccardo Squitieri's letter (September 19). From personal experience I can say that cultural bridges are built by people and, unfortunately, people are the ones who prevent them being built. I refer specifically to the bar associations in Egypt and Jordan, prohibiting their members from co-operating with Israeli lawyers and businessmen.

Fortunately, not all lawyers in Egypt and Jordan comply with the boycott but the mere fact of its existence interferes with the development of mutual business between Israeli businessmen and their counterparts in the two Arab countries that have signed a peace treaty with Israel.

One would have hoped that, on the contrary, the lawyers would take the initiative to build and foster cultural bridges to business ventures.

Alon Kaplan,
advocate,
Alon Kaplan Law Firm,
1 King David Boulevard,
Tel Aviv 64 953, Israel

Liffe has added-value advantage

From Mr Daniel Hodson.

Sir, Reports of Liffe's death struggles are somewhat fanciful ("Liffe or death struggle", September 19).

There is one key element in the analysis that you miss. Despite generous incentives and the alleged cost advantages of screen-based trading, our competitors in Frankfurt, the DTB, have made no inroads at all in Liffe's near 100 per cent share in D-Mark short-term interest rate derivative instruments, or D-Mark options on those or bond products, or indeed any comparable instruments denominated in lire, Swiss francs, Ecu or sterling, where Liffe's position is unchallenged.

The reason is simple. Trading in these instruments is more complex than in the government bond futures where DTB is making its challenge. The value added by Liffe's open outcry trading floor for more complex trading strategies is unquestionably superior.

For the future, post-Emu, it is in these high value added instruments that the maximum growth potential lies. Total trading in these instruments denominated in European Union currencies is around half that of the US. So there is plenty of scope for more.

I personally abhor the bellicose talk of fights, death struggles and war. We co-operate extensively with other European derivatives exchanges. But we compete enthusiastically, too, and we believe that competition is good for all market participants. Liffe is best placed to offer the market the high value added instruments it needs in an expanding market up to Emu and beyond.

Daniel Hodson,
chief executive,
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Cannon Bridge,
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FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Thursday September 25 1997

The Saudi exception

Flogging and public beheading are both common punishments in Saudi Arabia, as they once were in western countries. But in today's west they are regarded with revulsion. The sentencing of a British woman to 500 lashes by a Saudi court for complicity in a murder, while another faces a probable death sentence, provokes a storm of western outrage which is not heard when the victims are Saudi Islamist dissidents or Pakistani drug smugglers.

Deborah Parry and Lucille McLauchlan were represented by defence counsel, and were told the charge against them. Their trial was thus fairer than most in the kingdom, but that does not mean it was fair. No evidence was brought against them, at least in public, other than confessions which both claimed had been extracted under duress.

Robin Cook, the British foreign secretary, has spoken for public opinion in describing the sentence as "wholly unacceptable in the modern world". He could hardly do less. But he must know that the two women will not be saved by threats or table-thumping. Luckily Saudi Arabia's rulers still attach considerable importance to British friendship. They also have a particular respect for the Prince of Wales, because of his friendly public comments on Islam. A discreet but urgent personal appeal for clemency from him to King Fahd is the thing most likely to have an effect.

But if Mr Cook is to be consistent in upholding the cause of human rights worldwide, he should indeed have something to say about Saudi Arabia. Violations may not be on the scale of the most bestial regimes, such as those in Iraq or Sudan, but they are bad enough. Torture is by all accounts endemic. Justice is secretive and summary. Opportunities for peaceful opposition or public dissent are non-existent. Corruption and hypocrisy are rampant, including in the highest reaches of the royal family.

All this the west turns a blind eye to, for two reasons. The first is respectable though hardly glorious: the fear that destabilisation of the kingdom could lead to the fall of the dynasty and its replacement by a regime which would be harsher still, as well as less friendly to the west. The other is straightforward commercial interest, in Britain's case linked mainly to massive arms sales whose real value, whether to Saudi security or British prosperity, is hard to calculate.

The state's involvement in arms sales, and the secrecy in which they are shrouded, result in serious distortions of both foreign and economic policy. A government really interested in pursuing an ethical, or indeed a prudent, foreign policy should make reducing Britain's dependence on such sales a high priority.

Yeltsin's ploy

President Boris Yeltsin's speech to the upper house of the Russian parliament yesterday marked a vital shift in the government's attitude towards the chaotic capitalism it has created on the ruins of communism. It was also long overdue.

The state must reassert its authority as regulator of legal activity and fair competition, he declared. He was not calling for a return to the bad old days of state ownership and central planning. But he was calling for the creation of economic order to regulate the present free-for-all.

It will be much easier said than done. Vast powers have been transferred by the state to an unelected and largely unregulated alliance of former communist apparatchiks and hugely wealthy new bankers. The process has been privatisation of a sort, but without a framework of laws and taxation to control it. Government has been reduced to penury by its inability to collect revenues. Power has been transferred to a new elite of robber barons.

The president's advisers argue that the process was inevitable, in the revolution needed to dismantle the old system. First, it was essential to ensure that there would be no return to communism, they say. That meant the reformers in government had to forge a broad coalition with the new capitalists, and allow them to make themselves rich very quickly.

In exchange, those barons would break the power – and psychology – of state control of the pillars of the economy, and make any return impossible. Their coalition financed the re-election of Mr Yeltsin last year.

Yesterday the president announced the switch to a new phase: bringing the new capitalists under control. He called for "clear and equal rules of economic behaviour". He promised to root out corruption from the state bureaucracy, and to institute competitive tendering throughout the economy.

The problem is that the central government is not only weak, it is also divided. Some are undoubtedly determined to create an open economy. Others would prefer to share in the spoils of the largely unregulated oligopoly which has replaced the monolithic power of the state.

That is compounded by a democratically-elected parliament dominated by nostalgic communists and nationalists, with only a minority of muddled reformers to counter their effect. Mr Yeltsin is an instinctive politician who likes to divide and rule. What is needed from him now is vision and leadership. He has signalled a step in the right direction. But delivering it will be a long and uphill struggle.

Mega banks

Investment bankers have become obsessed with the idea of the "global bulge bracket", a small international elite of firms expected to dominate the industry in the next century.

For leading European investment banks, the idea is becoming increasingly alarming. All of today's top tier – Goldman Sachs, Merrill Lynch, Morgan Stanley Dean Witter and J.P. Morgan – are American. Only Credit Suisse, which owns the old First Boston group, and Swiss Bank Corporation, which recently acquired Dillon Read, can claim to be nearly as strong in the US as their biggest US competitors are in Europe.

Travelers Group's $9bn plan to take over Salomon Brothers and merge it with its own Smith Barney brokerage is unlikely to calm European anxieties. The addition of Smith Barney's US equities and distribution capacity will strengthen a business which was already a significant player on the world stage.

Happily, there appears no danger that European governments will make the same mistake in investment banking as they did in aircraft manufacture, by designing a multinational camel to carry the flag of the old world. The idea of an investment banking Airbus is terrifying. Nor does the Salomon deal seem likely to trouble the Brussels competition authorities, which have so recently been making themselves unpleasant to Boeing.

There is a danger, however, that the investment bankers themselves, who are notoriously fond of league tables, will fall into the same traps. Mistaking size for quality, some banks may be preparing to rush into unwise mergers or acquisitions for fear of being left behind.

Salomon is itself one of the best illustrations of how quickly bulge brackets can change. In the late 1980s, before scandal struck it, the firm was considered almost indecently powerful, the embodiment of Wall Street machismo. Today, although still a force to be reckoned with in certain markets, it has fallen into the second tier. Further back, firms such as Dillon Read and Kuhn Loeb were once in the bulge.

Today's bulge bracket may appear immutably strong, but even if disaster does not strike, the current group faces strong competition, as commercial banks and financial conglomerates – such as Travelers – take advantage of US deregulation.

J.P. Morgan, now considered in the top tier, is a former commercial bank only recently arrived in the bulge. Other US commercial banks such as Chase Manhattan could make the same breakthrough. So, too, could some European banks – but not if they continue to look to the US in panic.

Wall Street's Big Bang

Tracy Corrigan considers the implications of the $9bn merger between Salomon Brothers and Travelers Group

Wall Street is changing so fast that investment banks that were leviathans yesterday look like minnows today. The $9bn merger of Salomon and Travelers' Smith Barney has raised the stakes in the US investment banking industry yet again. The deal is likely to force both the existing heavy-hitters and the "wannabes" to take another look at their strategies. It may well spark another round of consolidation in the US securities business. And it is likely to widen the gap between US and European companies yet further in the race to become genuinely global investment banks.

"It does up the ante," says Carter McLelland, chief executive officer at Deutsche Bank North America. "The biggest competitive threat is probably to the largest US investment banks."

The US firms being challenged are Wall Street's triumvirate of Merrill Lynch, Morgan Stanley and Goldman Sachs. All three are widely viewed as the redefined top tier of US investment banking (the so-called "bulge bracket" of companies). This used to consist of half a dozen firms. In the past five years, however, these three have pulled away from the pack and have come to dominate equity and bond underwriting and the booming business of mergers and acquisitions.

All three firms can boast a powerful presence not only in the US, the world's largest capital market, but also in Europe and Asia, where they frequently beat local competitors in the battle to arrange privatisation deals and global equity transactions.

Jim Hanbury, a securities analyst at the New York office of Schroders, the investment bank, believes that yesterday's deal will push the two partners – Smith Barney, with its powerful US brokerage network, and Salomon, with its strong global presence and moderately successful investment banking business – into the top tier.

"There will now be three companies, all American, with a huge US distribution capability and a global origination capability," says Mr Hanbury.

The other two are Merrill Lynch, the only brokerage which largely built its own global investment banking business and now underwrites more debt and equity globally than anyone; and Morgan Stanley, a highly successful investment bank which added US retail distribution when it was bought by Dean Witter in February.

"This is another example of the industry consolidation we have been expecting for quite some time now. Merrill Lynch remains in an extremely strong competitive position . . . and will continue to build our position from within and by selective acquisition," says a Merrill spokesman.

This leaves Goldman Sachs, Wall Street's last large partnership, in an uncomfortable position. The firm has argued it does not need its own brokerage arm. Certainly, Goldman has become one of the world's top equity underwriters by renting, rather than buying, retail distribution. But it is starting to look rather small: it has less than 10,000 staff, compared with Merrill Lynch's 54,000.

"Goldman has been enormously successful but will probably be revisiting the issue" of whether they need to add distribution firepower, says Schroder's Mr Hanbury. "It may not be what they want to do, but they may have to do it."

The deal will thus bring renewed competitive pressure on those already in a dominant position. But even more than that, the emergence of a giant handful will pose especially hard questions for new entrants to the market.

Those new entrants include a handful of brave European banks with ambitions to slug it out with the US giants. Developing a strong US business is essential to any investment banking business with truly global ambitions. In fact, most analysts believe that an international elite of investment banks is already evolving, made up of a handful of firms offering the spectrum of investment banking services in the US, Europe and Asia.

In this global battle, the three US giants already have a big lead, having established strong arms outside the US. The coupling of Salomon's worldwide network with Smith Barney's distribution gives the new firm a strong claim to be part of that elite.

European banks still have to prove they can make it in such company. "The US investment banks have a big advantage over the Europeans," says Mr Hanbury. "All the Europeans have is a strong corporate client list in France or Germany." Mr Hanbury argues that they lack distribution capacity in the most important market, the US.

At the head of the European pack in the rush to gain a place in America is Deutsche Morgan Grenfell, which has created a stir by hiring teams from US houses, such as technology investment bankers from Morgan Stanley. Mr McLelland of Deutsche says his firm is growing organically and is "happy" with its bonds and equities businesses.

Some Europeans have expanded through acquisition, but only on a small scale – as in SBC Warburg's purchase of Dillon Read, a niche investment banking business. The other pretenders are Union Bank of Switzerland and ING of the Netherlands; Britain's BZW and NatWest Markets have also have greater aspirations. Some analysts believe the quickening pace of consolidation could now force the Europeans to take more drastic action if they want to join the US top tier.

The other group of potential bidders is the commercial banks, whose market capitalisation – and hence potential to make acquisitions – far outstrips even the biggest investment banks.

One potential deal is often talked about: the idea that Chase Manhattan might acquire Merrill Lynch. Whether such a deal could ever come off – and opinions differ on its likelihood – the point is that an acquisition of a big investment bank by a big commercial bank would change the landscape again. Chase is already busy building its own investment banking business. It has created a strong high-yield bond business, but has struggled to gain much of a presence in mergers and acquisitions. A big acquisition by Chase would almost certainly unleash a further wave of consolidation.

And despite the remaining regulatory barriers in the US, the rules have been slackened enough to allow commercial banks to buy investment banks, though investment banks cannot yet buy commercial banks. For the likes of Goldman and Merrill, this is a continuing frustration.

Even without such huge deals, Raphael Soifer, securities analyst at Brown Brothers Harriman, believes that consolidation will continue. "There is a rather lengthy list of regional firms," he notes, which are likely to be bought. "As to a rerun of [London's] Big Bang, where the big banks came in and swooped up all the City firms, I think that is most likely in a bear market."

US investment banks: takeover fever

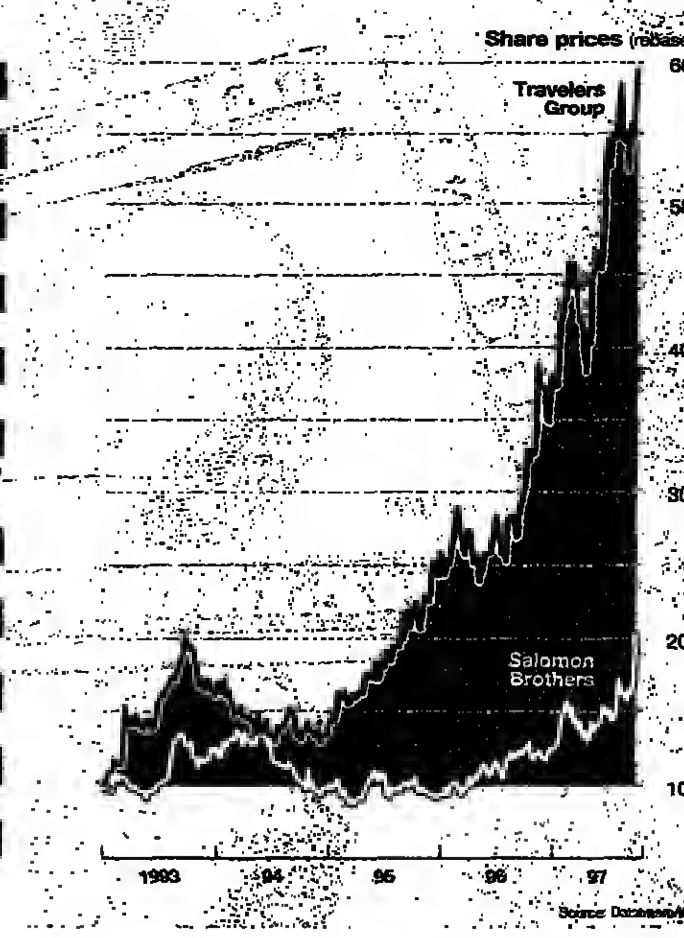
The big 10

	Shareholders' funds ($bn)	Revenues ($bn)
Morgan Stanley Dean Witter Discover*	10.5	12.0
Salomon Smith Barney**	9.0	10.5
Merrill Lynch	6.5	13.1
Goldman Sachs	5.3	6.1
Lehman Brothers	3.9	3.4
Bear Stearns	3.6	3.5
PaineWebber	1.7	3.7
Donaldson Lufkin & Jenrette	1.6	3.5
J.P.Morgan***	11.4	6.9
Bankers Trust***	4.4	4.2

* Combined figures ** Pro-forma *** Commercial banks with big investment banking operations

Deals so far this year

Acquired	Bought by	$bn
Morgan Stanley	Dean Witter	10.4
Salomon Brothers	Travelers Group	9.0
Alex Brown	Bankers Trust	1.6
Quick & Reilly	Fleet Financial	1.6
Montgomery Securities	NationsBank	1.2
Dillon Read	SBC Warburg	0.6
Robertson Stephens	BankAmerica	0.5
Wheat First Butcher	First Union	0.5
CIBC	Oppenheimer	0.5



Names in the frame

The purchase of Salomon yesterday came after a week of speculation about the object of Travelers' desire, with speculation centring on Bankers Trust and J.P. Morgan. Now that mystery has been cleared up, analysts are trying to spot the next deal: apparently being a medium-sized investment bank just does not cut it any more.

The hottest target is Lehman Brothers, one of the few remaining decent-sized investment banks. After it was freed from the grip of American Express and lost Shearson to Smith Barney, Lehman was known to have been touted around Wall Street to several European banks and US firms, including Salomon. Wall Street analysts say potential bidders may now look again. Lehman, though, does not provide what many want: strength in equities and M&A.

Donaldson Lufkin & Jenrette would do that, but there is a snag: its parent Axa has not been keen to sell. A purchase might also raise regulatory issues because of DLJ's big corporate investments through its private equity business.

PaineWebber, which like DLJ and Lehman insists it plans to remain independent, has another desirable commodity: a brokerage network. It has also tried to build an investment banking business, with limited success.

Takeover hopes yesterday pushed up the shares of Hambrecht & Quist, the San Francisco-based technology investment bank. There are also lots of regional brokerages that could command big premiums, though none is big enough to catapult a bidder into the first division of investment banking.

The biggest excitement on Wall Street was the prospect that yesterday's deal might unleash a new breed of mega-mergers between banks and investment banks. Chase, NationsBank and Citicorp have plenty of firepower and, according to some, the desire to create financial services giants. If they become involved, even the newly enlarged Travelers would be dwarfed.

Tracy Corrigan
William Lewis

· OBSERVER ·

Bright light for Weill

■ One of Sandy Weill's foibles is a large neon sign outside his office. When the chairman of Travelers Group is happy, the sign says so. When he's feeling down – almost always because the share price displeases him – the extra word "not" lights up.

After agreeing to pay upwards of $9bn for Salomon Brothers yesterday, it's a fair bet that Weill was feeling chipper. Adding the investment bank's Wall Street muscle cements Travelers as one of the biggest financial hitters in the US.

It's worth remembering that Weill's empire has its roots in Commercial Credit, the small Control Data subsidiary he bought into back in 1986. Last year, he was the third highest-paid chief executive in the US, with cash to spare for a $4.5m donation to Carnegy Hall.

The neon sign isn't the only evidence of Weill's love of bright lights. The man who made his name building – and then selling – brokerage house Shearson apparently likes to unwind with clients and colleagues around a blazing fire and has a fireplace in his lower Manhattan offices. A previous Weill fireplace – on the 106th floor of New York's World Trade Centre when he ran Shearson way back in the 1970s – was claimed to be the highest in the world.

He's also added some light outsida the Travelers building – less than a mile north of Salomon's headquarters – in the shape of a bright red umbrella, the company logo. Many New Yorkers felt their skyscape was interesting enough without it.

Figure it out

■ Italy's statistics agency Istat is in the habit of briefing journalists on economic data half an hour before its 9am release, on the understanding that they don't tell their papers until then.

But some newshounds have been using mobile phone code to call their offices. "Hello, is Mario there?" means industrial output up 0.1 per cent: an inquiry after Pasquale signals a 0.2 per cent rise. In future, say the number-crunchers, all calls out of the press room must begin: "Hello, it's me at Istat." So it's all down to creative voice modulation.

High hopes

■ Is Israel's transport ministry having flights of fancy over struggling national airline El Al? Whatever visiting UK transport minister Gavin Strang said to them on his visit this week prompted a ministerial statement that British Airways was interested in taking a stake in the carrier. Maybe transport minister Yitzhak Levy forgot that BA's days as a state-run company were well behind it.

BA's saying nothing, but suitable partners aren't queueing up to help the Israeli government with its privatisation plan. Sections of Israel's religious community have no intention of allowing the airline to fly on a Saturday – the Sabbath – or any other Jewish holiday. With $100m a year security costs on top, it doesn't look like a moneyspinner: losses are expected to be $40m this year.

At least Levy's prepared to see one hurdle come down: he says the question of whether El Al should fly on the Sabbath is "up to the shareholders".

Watch this space

■ Looking for a foolproof method of losing weight? A new US space travel agency is offering one option: zero-gravity flights, in which hapless punters pay $5,500 to experience the effect of weightlessness aboard a Russian KC-135 jetliner.

The effect is achieved by flying the jet on a parabolic path – a slow ascent followed by a rapid earthward plunge. Some might think this is pretty average stuff for a Russian plane, but it's perhaps worth paying over the odds for the promised soft landing.

Space Adventures, based in Fairfax, Virginia, is also accepting bookings for flights into sub-orbital space, though there's just one small catch – no one has built a suitable spaceship, so there's no departure date or ticket price.

Before handing over your $6,000 deposit, it's worth checking out the small print in the brochure. Among other things, it warns that passengers will not be provided with parachutes. And whatever else is uncertain about the spaceship, it won't have any bathrooms.

Office module

■ Another company lists on the New York Stock Exchange – another chance for chairman Dick Grasso to add to his toy collection. This time it was a model of the Mars Pathfinder module, presented by Jürgen Dormann, chairman of Hoechst which listed in New York yesterday – the space module landed on the planet cushioned by airbags made from fibre produced by the German chemicals company.

Grasso's favourite in the growing pile of gifts in his office is an 18-wheel truck from Ford: it helps to keep the children amused when they drop in.

The Financial Times

100 years ago

Depression In The Transvaal
Johannesburg, as the great centre of activity, naturally feels the depression most acutely, but poverty and privation are now the prevailing conditions from one end of the country to the other. Meetings are being held all over the country at which the burghers are passing resolutions insisting on the adoption of the Industrial Commission's report. At such places as Krugersdorp, Klerksdorp, Middelburg and Fordsburg – all centres of almost exclusively Boer population – the demand has been made with a vehemence which could not be surpassed by any Uitlander assembly.

The condition of things on the Rand now is simply deplorable. The smaller traders are going to the wall in large numbers every week. One wholesale firm has had to attend 46 meetings of creditors during the last six weeks, and another 19 meetings in one week. Under normal conditions here business is brisk and everybody flourishing, while to-day the shops are nearly empty, debts cannot be collected, and the streets teem with unemployed.

FINANCIAL TIMES
Thursday September 25 1997

Plavsic signs deal with rivals to hold elections

Bosnian Serbs in accord to end power struggle

By Guy Dinmore in Belgrade

Biljana Plavsic, the western-backed president of the Serb half of Bosnia, yesterday reached a deal with her hard-line rivals on holding elections to end a power struggle that has split the territory and dragged Nato peacekeepers into conflict with nationalist Serbs.

The Yugoslav news agency Tanjug said Mrs Plavsic had signed a three-point agreement in Belgrade with Slobodan Milosevic, the Yugoslav president, and Momcilo Krajisnik, the hardline Serb representative in the collective Bosnian presidency, who is allied with Radovan Karadzic, the ex-president indicted for war crimes.

The three agreed to take measures to prevent the division of the Bosnian Serb entity in line with the US-mediated Dayton peace accord that ended the 1992-95 Bosnian civil war, Tanjug reported. The agreement set elections for the Bosnian Serb parliament for November 15, observed by the Organisation for Security and Co-operation in Europe. Mrs Plavsic and Mr Krajisnik will then allow elections to be held for their separate presidencies on December 7.

The official radio and television network will broadcast on alternate days from Mrs Plavsic's north-west stronghold of Banja Luka and from its main studio controlled by Mr Karadzic in Pale in eastern Bosnia.

Analysts said the deal represented a significant climbdown by the hardliners, who had refused to recognise Mrs Plavsic's dissolution of parliament or yield control of the media.

Mr Milosevic has been under US pressure to use his influence over the Bosnian hardliners to end the crisis. It was the first time he had met Mrs Plavsic since she became president more than a year ago. Mrs Plavsic, who has bitterly criticised Mr Milosevic and was detained by his police at Belgrade airport in June, was positive about their encounter.

"It was a very successful meeting. I think Mr Milosevic had good suggestions how to resolve some problems in the Serb Republic," she said.

The power struggle has divided the Bosnian Serb territory and led to parallel governments in the west and east. Clashes have erupted between rival forces trying to gain control of police stations and television transmitters.

The conflict erupted this year when Mrs Plavsic accused the hardline clique around Mr Karadzic of corruption, and dissolved parliament. Western governments backed Mrs Plavsic, seeing her as a more compliant partner in the peace process.

Troops helped her secure police stations in Banja Luka last month, but US soldiers were attacked by mobs in the north-east town of Brcko on August 28 when Plavsic loyalists tried to take the security centre there.

Seselj toughs it out, Page 2

Cubans fume at US over hybrid cigar plan

By Pascal Fletcher in Havana

Cuba's cigar makers are enraged by a US company's plans to launch a cigar in the US with the same name as one of the best-known Cuban-produced Havanas sold around the world.

Connecticut-based General Cigars Co. is launching a cigar in New York today made with tobacco grown from Cuban seed in the Dominican Republic, enriched with Indonesia tobacco and wrapped in leaf from Cameroon. The name chosen for the exotic hybrid is the Cohiba.

But Cohiba, a Caribbean Indian word meaning a twist of tobacco leaves, is also the name of a Cuban cigar, portrayed by the state cigar company as the unrivalled Prince of Havanas.

The launch of the other Cohiba in a US market barred to sales of Cuban cigars by a continuing trade embargo has incensed the Cubans, who say it is a fake.

"It's cheating the consumer," said Adargelio Garrido, a lawyer with the Cuban state cigar company Habanos S.A.. Habanos issued an "alert to the connoisseur of the Cohiba cigar" this week, when it said the US Cohiba was an attempt to cash in on the Cuban cigar.

Not so, said General Cigars' president, Austin McNamara. He said his company had filed registration of its Cohiba brand with the US Patent and Trademark Office in 1978 and had been selling limited quantities in the US since then.

Mr McNamara said General Cigars' Cohiba was "absolutely good enough to stand on its own legs", and denied any attempts to copy the Cuban Cohiba: "You can't compare the two, the only connection is the name."

He added both real and counterfeit Cuban Cohibas were sold in the US market in spite of the embargo. His company's Cohiba would distinguish itself from these and would be sold with its own distinctive packaging.

The dispute is already the subject of litigation. Cuba owns the rights to sell its Cohiba internationally outside the US, but never registered the brand name with the US patents office. In January this year, Cuba filed a petition to the US patents office seeking cancellation of the registration of the Cohiba name made by General Cigars and its parent company Culbro Corp. The case is still pending.

The use of the Cohiba name is doubly infuriating for Cubans. Unlike other brands of Havanas, the Cuban Cohiba cigar was created after the 1959 revolution that brought Fidel Castro to power.

THE LEX COLUMN

Swallowing Salomon

With one bound they vaulted into the bulge bracket. Well, not quite. The merger of Salomon with Travelers Group's Smith Barney may take its inspiration from the marriage of retail broking and investment banking pioneered by Merrill Lynch and imitated earlier this year by the Morgan Stanley/Dean Witter merger. But neither of those is going to lose much sleep over what is essentially a combination of second-tier firms.

That does not mean the deal has no merits. For Travelers, which has so far concentrated on US retail financial services, Salomon brings a reasonable presence in high-margin investment banking and a strong global fixed income franchise. Salomon, meanwhile, has found a home after years of uncertainty and a deep-pocketed parent at that. And, as the success of Merrill Lynch has demonstrated, the vertical integration of bankers and a salesforce of retail brokers should help the enlarged group win new equity and debt mandates.

That said, the purchase of Salomon adds little to Smith Barney's position in equities and asset management. And, despite his reputation as an astute deal-maker, Travelers' chairman, Sandy Weill, appears to be paying a handsome price. The all-share offer values Salomon at 13 times expected 1997 earnings. That may not look expensive given that Dean Witter paid 20 times for Morgan Stanley. But Salomon is no Morgan Stanley, with half its profits coming from volatile proprietary trading, which is benefiting from the current bull market. Excluding, very roughly, the capital assigned to such own-account trading, the price is a steep-looking four times book value.

There must also be a risk that the merger will not work on the ground, when it comes to meshing Salomon's aggressive trading culture with Smith Barney. Putting Salomon Brothers boss Deryck Maughan and Smith Barney's James Dimoo next to each other as co-chief executives looks a fairly feeble attempt to dress up this acquisition as a merger. Shareholders' best hope at this point is that Mr Weill, who will remain in overall control of the whole group, has learned from the days when he presided over the disastrous merger of Shearson Lehman.

The deal, of course, raises the question of how other wholesale investment banks that lack retail brokerages will fare. Will Goldman

Sachs, J.P. Morgan and Lehman Brothers find they no longer have as easy access to distribution and, therefore, get squeezed out of underwriting? Probably not. If they have good products to sell, their rivals will hardly turn down the opportunity to earn a fee from distributing them. Independence could become a selling point.

So this looks more like another instance of consolidation rather than the deal that redraws the industry's boundaries. True, it underlines the attractiveness of other second-tier names. But the real lesson, perhaps, is that – as the likes of Travelers and NationsBank are using their own highly-valued paper to pick off Wall Street firms – the big Europeans have been priced out of the market.

Gucci

Like supermodel Naomi Campbell in her famous skyscraper platforms, Gucci has taken a tumble on the catwalk. But it may struggle to pick itself up again.

True, the near 20 per cent fall in the shares yesterday seems exaggerated, since Gucci's earnings have been downgraded only 10-15 per cent. Furthermore, at least some of the reasons for the slowdown in growth which the group expects in the second half can be put down to extraordinary circumstances. The sharp decline in sales to Japanese customers has affected all luxury goods groups, and here Gucci is no more exposed than most. But Gucci's days as the chi-chi luxury goods stock are over. The shares have underperformed the US market by 54 per cent in the last year, and 21 per cent since Investcorp – which rescued it from collapse in the early 1990s – sold out last year. The underlying business is still growing at a reasonable rate; sales are expected to grow at roughly 15 per cent next year, with stable margins. But this is a come-down from the 20 per cent previously expected. And Gucci no longer benefits from the sharp boost to profitability it enjoyed during its recovery phase.

There is a further point. A year ago, fashion stocks were in vogue. But disappointments – such as Donna Karan's profit collapse – have knocked investors' faith. Shareholders initially thought designer labels constituted stable, long-term brands. They are coming to realise buyers can be fickle. Fashion has fallen out of fashion.

France

The reality of socialist government in France has proven less daunting than the rhetoric. After some early dissenting noises on monetary union, Mr Lionel Jospin's government has fallen into line. And a deft retreat on privatisation is under way. But optimists hoping for further signs of progress in yesterday's budget will have been disappointed. Yes, France will meet the 3 per cent Maastricht budget deficit criterion in 1998 – but that hardly counts as a surprise, even if it is a telling reminder that France can no longer afford a spending government. And there were some good bits, especially the shift from payroll taxes to a tax on savings, which should help job creation.

Beyond that, there was little to cheer about. A sharp rise in company taxes had already been announced, and the swollen civil service girth is widening further. More disappointing, though, was the absence of any microeconomic initiatives to stimulate growth and employment. A fixation with the macro agenda of Maastricht has distracted the government from introducing the supply-side reforms the economy so sorely needs.

Indeed, government proposals to cut the working week to 35 hours from 39 hours look like a giant leap in the wrong direction. Fortunately signs of compromise have started to emerge. Who knows, if business engages in horse-trading, it could yet receive as a *quid pro quo* the sort of labour market flexibility which has hitherto been taboo.

See additional Lex comment on National Grid, Page 20

Bhutto investigators claim $3bn taken out of Pakistan

By Jimmy Burns

Pakistani investigators have increased to more than $3bn their estimate of the money they allege the family of Benazir Bhutto, former prime minister, has illegally siphoned out of their country.

Much of it was allegedly from the proceeds of drug trafficking.

The figure – double earlier official estimates – was described by one senior Pakistani official yesterday as a "conservative estimate" based on assets identified in several countries including Britain, Switzerland, France, Luxembourg, and Poland.

Investigators say the assets include cash held in bank accounts or offshore companies. Some of the cash is thought to have included commission payments made by foreign companies seeking business in Pakistan.

In the UK, the assets, owned directly or through front companies, include two properties – one in Surrey worth £3.5m and the other a luxury apartment in London. Other assets identified include a Rolls-Royce, a Bentley, and several polo horses.

Pakistani officials say the British government is poised to freeze bank accounts and properties after Pakistan provided supporting evidence of drug trafficking, masterminded by Benazir Bhutto's husband, Asif Zardari.

Mr Zardari is in prison in Pakistan awaiting trial on a murder charge. Ms Bhutto, Pakistan's leading opposition figure, has denied that assets held by her family in Europe have been obtained through illegal means. Her friends claim a political vendetta is being carried out against her.

The UK told Pakistan last week that it could not officially sanction freezing assets because there was no bilateral agreement for mutual assistance in crime investigations. However, Pakistan is now confident that action will be taken by the UK under the UN convention on narcotics and drugs control, which both countries have signed.

The Financial Times was yesterday shown a copy of a recent six-page intelligence report by Pakistan's anti-narcotics force alleging widespread corruption in key government departments during Ms Bhutto's administration.

It named as one of Mr Zardari's "close collaborators" a Pakistani businessman who is the director of several companies registered in the UK.

A spokesman for the Foreign Office said last night: "We have been asked to help by the Pakistani authorities and we are trying to do everything we can within UK law."

NEC bows to US technology for new PCs

Continued from Page 1

another leading PC maker, switched to the IBM camp in 1994. NEC had a huge volume of application software tailored to its proprietary operating software.

Hisashi Kaneko, president of NEC, said the decision to switch early to Windows 98 specifications would support the company's expansion in the global PC market.

The decision to keep its standard had cost it dearly in market share and, according to Hitoshi Kuriyama, industry analyst at Goldman Sachs in Tokyo, the latest shift "is a decision that NEC would have had to make sooner or later".

The NEC 9800 series, which by some accounts once commanded a market share in Japan of as much as 70 per cent, has seen market share slip to 35 to 40 per cent, according to industry estimates.

Meanwhile the market share of companies using the Japanese version of the Microsoft operating system, DOS/V, has increased significantly. NEC had adopted Windows 95 in its latest PCs but problems remained, particularly in the use of PC communications.

NEC is likely to encounter some initial confusion in the market as customers who had remained loyal to the NEC standard react negatively to the switchover.

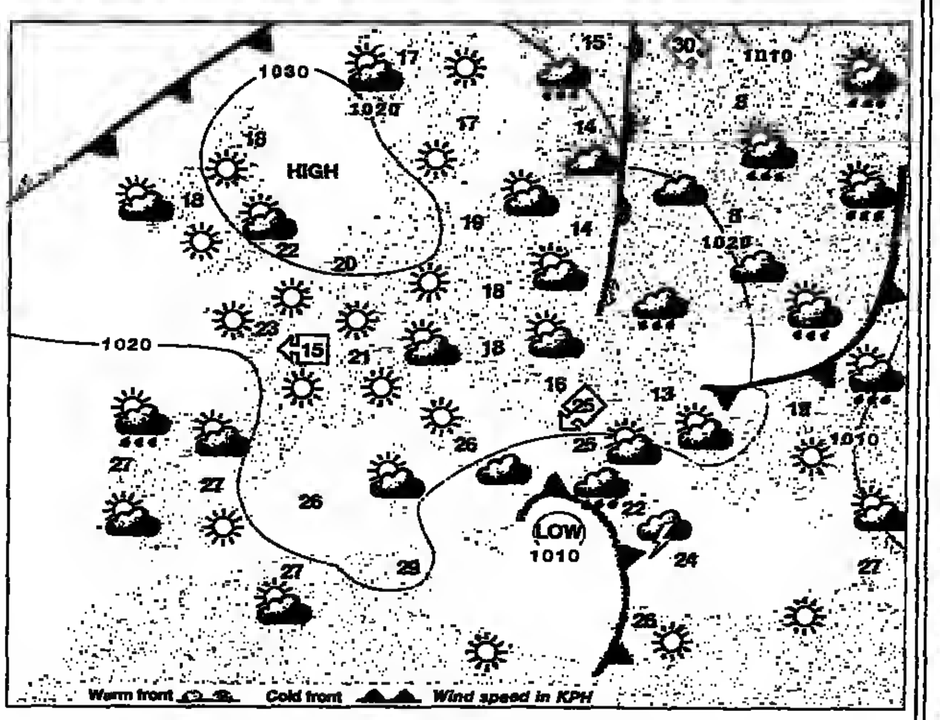
FT WEATHER GUIDE

Europe today

High pressure anchored over the North Sea will keep much of western Europe settled. There will be plenty of sunshine after widespread morning fog. Fronts will cross Northern Europe, taking rain through Scandinavia and the Baltic states and into western Russia. Southern Scandinavia will stay mostly dry, though, with plenty of sun over southern Sweden. The central Mediterranean will have some heavy showers and thunderstorms, affecting Sicily Malta and the far south of Greece. Northern Spain could also have thunderstorms with showers in northern Portugal later.

Five-day forecast

The Mediterranean will be sunny with thunderstorms dying out. Central Europe should stay fine but the north-west will become unsettled with Scandinavia and the northern UK turning wet and occasionally windy. Eastern Europe will be showery and cold with snow showers possible later.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum	Beijing	rain 21	Cardiff	fair 19	Frankfurt	sun 21	Madrid	fair 27	Rangoon	thunder 31
	Celsius	Belfast	sun 18	Casablanca	fair 26	Geneva	fair 22	Majorca	sun 25	Reykjavik	cloudy 10
Abu Dhabi	sun 37	Belgrade	fair 18	Chicago	fair 25	Gibraltar	cloudy 24	Malta	cloudy 25	Rio	shower 24
Accra	fair 37	Berlin	sun 19	Cologne	sun 21	Glasgow	fair 19	Manchester	fair 19	Rome	sun 26
Algiers	fair 27	Bermuda	fair 29	Dakar	fair 31	Hamburg	sun 19	Manila	shower 31	S. Frsco	fair 24
Amsterdam	sun 20	Bogota	thunder 20	Dallas	sun 32	Helsinki	cloudy 15	Melbourne	sun 21	Seoul	rain 24
Athens	thunder 22	Bombay	thunder 32	Delhi	sun 35	Hong Kong	shower 26	Mexico City	thunder 24	Singapore	thunder 32
Atlanta	shower 28	Brussels	sun 22	Dubai	sun 40	Honolulu	fair 32	Miami	fair 32	Stockholm	sun 17
B. Aires	fair 15	Budapest	fair 16	Dublin	sun 18	Istanbul	shower 18	Milan	sun 26	Strasbourg	sun 21
B.ham	cloudy 19	C.hagen	fair 18	Dubrovnik	sun 22	Jakarta	fair 32	Montreal	shower 19	Sydney	fair 19
Bangkok	thunder 33	Cairo	sun 31	Edinburgh	fair 18	Jersey	sun 19	Moscow	shower 8	Tangier	cloudy 29
Barcelona	thunder 24	Caracas	fair 32	Faro	fair 26	Johannesburg	fair 23	Munich	sun 15	Tel Aviv	sun 29
						Karachi	sun 33	Nairobi	fair 27	Tokyo	shower 21
						Kuwait	sun 44	Naples	thunder 25	Toronto	shower 19
						L. Angeles	shower 28	Nassau	fair 32	Vancouver	rain 18
						Las Palmas	fair 28	New York	rain 20	Venice	sun 23
						Lima	fair 25	Nice	sun 25	Vienna	cloudy 18
						Lisbon	fair 27	Nicosia	sun 28	Warsaw	drzzl 16
						London	fair 22	Oslo	sun 17	Washington	shower 21
						Lux.bourg	sun 22	Paris	sun 23	Wellington	fair 13
						Lyon	fair 24	Perth	shower 18	Winnipeg	sun 26
						Madeira	cloudy 24	Prague	fair 18	Zurich	sun 18

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday September 25 1997 — Week 39

INSIDE

Taiwan's ASE aims for the top

Advanced Semiconductor Engineering of Taiwan is aiming to be the world's leading microchip packaging and testing company. The group last week announced an investment programme of nearly $12bn, marking a significant step in its aggressive expansion. Page 16

BZ Group does well from 'visions'

BZ Group, Swiss financier Martin Ebner's private holding company, has earned SFr2bn ($1.36bn) before tax since it started managing its group of closed end investment funds, known as the "visions", in 1991. Mr Ebner (left) disclosed the figure in an interview with a Swiss newspaper. He has been criticised for the size of the profits he makes on his investment transactions. Page 19

Joint venture to revive Fimisco

Fimisco, the Greek producer of dead-burnt magnesite and refractory bricks used in furnace linings, is to resume exports. Its mines and plant on the island of Euboea have been acquired by a joint venture, Viomagn, which will invest Dr5.5bn ($194m) in the group. Page 24

Solid growth in Portuguese markets

After two years of record gains, fuelled by falling interest rates, the Lisbon stock market is counting on Portugal's greater integration into Europe to provide further progress. Page 34

Companies in this issue

Market Statistics http://www.FT.com

CROSSWORD, Page 24

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Wella	1345	+	27
Falls			
Bertelsmann	530	-	40
Hochtief	81.2	-	2.4
Hoechst	527	-	15
Mannesmann	858	-	16
Porsche	2885	-	15
NEW YORK ($)			
Rises			
Avis	22⅞	+	5⅜
KN Energy	47⅞	+	4⅝
Falls			
Budget	33⅝	-	2⅝
First USA	17⅞	-	4⅛
Gucci NV	47³⁄₁₆	-	11¹⁄₁₆
Jlm Cle	21¼	-	2¼
LONDON (Pence)			
Rises			
3i	553½	+	10½
Railtrack	890½	+	23½
Supercape	83	+	19
Falls			
BSkyB	470½	-	11½
Fisher J	137½	-	8
Greenalls	414	-	37½
TORONTO (C$)			
Rises			
Cinar Films S	51.10	+	4.10
Div Mobility	22.50	+	1.25
Millinet	18.0	+	1.0
Teleglobe Int	24.50	+	1.60
Falls			
Intertan	3.0	-	0.50
Polywel Ind	4.25	-	0.50

PARIS (FFr)			
Rises			
Air Liquide	978	+	41
CPR	473	+	24
Schneider	383.5	+	12.5
Valeo	389.5	+	22.1
Falls			
Credit Fon	63.10	-	1.90
Sagem	279.3	-	48.0
TOKYO (Yen)			
Rises			
Daiseki	659	+	54
Daicel Chem	353	+	30
Mitsui Pet	373	+	32
Nippon Oil	537	+	48
Osaka Gas	303	+	23
Falls			
Yonekyu Ld	380	-	17
HONG KONG (HK$)			
Rises			
China Light	41.90	+	1.20
Cosco Pac	12.80	+	0.70
New World	44.40	+	0.80
TVB	27.65	+	0.56
Wharf Hldgs	27.80	+	0.45
Falls			
Cathay Pac	11.40	-	0.45
BANGKOK (Baht)			
Rises			
Dusit Thani	44.50	+	4.0
Goodyear	166.0	+	15.0
Precda	78.0	+	6.5
Siam Makro	80.0	+	5.0
Falls			
Hana Micro	61.0	-	9.0
Phoenix Pulp	18.0	-	2.0

New York & Toronto prices at 12.30.

Shell boost in Gulf of Mexico

Pipeline business to be acquired for $2.35bn

By Virginia Marsh in London

Shell is planning to buy a Texas-based gas pipeline and storage business at a cost of $2.35bn in a move that will bolster its position in the Gulf of Mexico, one of the world's most exciting deep-water exploration regions.

Shell Oil, the US arm of the Anglo-Dutch group, has signed a merger agreement with Tejas, under which it will acquire the listed group for about $1.45bn and assume some $900m of its debt.

It plans to combine Tejas, which has an extensive network of onshore gas pipelines and storage facilities along the Gulf Coast, with its own gas infrastructure business, to form a group subsidiary.

Shell Oil, whose parent Royal Dutch/Shell has been under pressure to improve returns and put its substantial cash pile to work, is offering $61.50 a share for Tejas – a 23 per cent premium to its closing price of $50 in New York on Tuesday. It said shareholders owning 19 per cent of Tejas had accepted the offer and it hoped to complete the deal this year.

The two companies are already joint venture partners. Tejas holds a 44 per cent stake in Coral, a Shell-controlled company set up in late 1995, which is one of the top six wholesale gas marketing companies in the US.

Few details of the merger or the new subsidiary's assets, expected revenues and market share were disclosed. However, it is to be led by Tejas' top two executives, and is expected to hold the large offshore pipeline infrastructure Shell is developing to move its Gulf of Mexico gas production onshore.

Most of Shell Oil's planned $2.5bn exploration and production budget for this year is being devoted to the region.

In London, Shell shares edged up 1¼p to 457½p.

"This move is no surprise and it's a very good deal for Shell," said Bruce Evers, an analyst at Henderson Crosthwaite. "Shell is at the forefront of deep-water development in the Gulf of Mexico where a great deal of gas is being found. There's a lot of money to be made [in the gas infrastructure business] and I expect it to make more deals like this in other parts of the world."

Alan Marshall of Robert Fleming said the shares had risen only slightly because, although the deal appeared to be positive, it was relatively small for a company of Shell's size. "The market would like to see them doing something bigger but Shell is not aggressive in terms of acquisitions," he said.

He added that the move would not make a large dent in Shell's cash pile – £6.9bn ($11.1bn) at mid-year – because the group continued to be highly cash-generative.

The deal comes just days after the group said it would spend $2bn to take full control of Montell, its plastics joint venture with Montedison of Italy as part of a shake-up of its chemicals business.

Analysts said taking control of the two businesses should enable Shell to accelerate their restructuring as part of wider efforts to improve group returns.

Both Montedison and Tejas have large debts and Shell may have wished to expand the businesses more rapidly than its joint venture partners did.

Weak yen and strong dollar cause problems for fashion house

Gucci shares tumble after warning on profit growth

By Alice Rawsthorn in London

Shares in Gucci, the Italian fashion group, tumbled by $11.06 to $47.19 in New York yesterday, after it warned that profits growth would be slower than expected in the second half of the year.

Domenico De Sole, president, said that second-half profits growth would be affected by the impact of the weak yen on sales to Japanese tourists, and by the strength of the US dollar (in which Gucci reports) against other currencies.

The cautionary statement marks a contrast with the growth Gucci has enjoyed since Tom Ford was appointed chief designer in 1993. His designs have transformed Gucci from an ailing brand into one of the hottest fashion labels of the 1990s.

Analysts revised their forecasts for Gucci's full-year net profits from $205m to $180m yesterday, against $168m last year. The steep fall in the share price reflects investors' nervousnase about the long-term prospacts for glamour stocks, such as Gucci, in tha traditionally volatile luxury goods sector.

Gucci's slowdown casts a cloud over other fashion groups. The success of its flotation two years ago encouraged similar companies to follow suit. In Italy, Gianfranco Ferre recently announced proposals to go public, and Gianni Versace is pressing ahead with its flotation plans despite the death of its founder.

Mr De Sole said trading had been difficult for Gucci throughout the first half, with a decline in sales growth during the second quarter, mainly because of fewer Japanese tourists in previously robust duty-free markets, such as Hawaii and Hong Kong.

In spite of these difficulties, Gucci mustered a 29 per cent increase in net income to $90.3m for the six months to July 31, from $69.9m in the interim period last year. Net revenue rose by 23 per cent to $478m ($390m) between the two halves, with operating profits up 15 per cent to $120m ($104.7m).

Mr De Sole warned that sales would be further affected during the second half by the weak yen's impact on Japanese tourism. He also anticipated a negative currency effect because of the US dollar's rise against the lira and yen. Italy and Japan represent 40 per cent of revenue.

Another adverse factor will be Gucci's strategic decision to reduce the number of retailers it supplies at wholesale rates, and to scale down the size of orders shipped to remaining retailers. Mr De Sole said this was to prevent the brand from becoming over-exposed, but would cut wholesale sales.

Gucci's ambitious retail expansion programme will not be affected by the slowdown. The first of its new flagship stores will be announced in London this December. Others are due to open in Los Angles and Milan.

Flying in the face of fashion: despite recent success, Gucci shares tumbled by $11.06 to $47.19

Lex, Page 14

Stena to cut costs and freeze investment

By Tim Burt in Stockholm

Stena Line, the world's largest ferry company, is planning an investment freeze as part of a restructuring and cost-cutting plan.

The loss-making Swedish group, which has spent SKr3bn ($392.9bn) on new vessels in the past two years, said future capital expenditure would be restricted to maintenance of its 34-ship fleet.

"We are going to do what is necessary to keep the ships properly maintained, not much more," said Bo Lerenius, chief executive.

He added that Stena was also re-examining its route network and overhead structure as part of the cost-cutting exercise, which follows last month's announcement of first half losses of Skr535m on sales of Skr4.27bn.

Mr Lerenius made clear that the group needed a much lower cost structure and hinted that the overhaul could lead to significant redundancies.

Speaking at the company's headquarters in Gothenburg, he blamed the need for a reorganisation partly on the stalled merger of Stena's English Channel operations with those of UK rival P&O.

The European Commission has voiced misgivings over the plan, while the UK Department of Trade and Industry has yet to deliver its verdict on the scheme – announced by P&O and Stena almost a year ago.

Mr Lerenius said the delay in approving the merger – designed to strengthen the ferry operators' competitiveness against Eurotunnel and ease overcapacity on cross-Channel routes – had undermined Stena's UK operations.

The group's UK subsidiary has lost more than 100 managers in recent months.

"We have had a very big organisational problem in the UK with a lot of the middle management leaving. It is very difficult to maintain employee motivation during such uncertainty," Mr Lerenius added.

Although he predicted that Stena's full year figures would show an improvement on the SKr444m loss reported last year, he warned that the benefits of the restructuring would not becoma apparent before early 1999.

Stena's tough decision, Page 17

Watchdog rejects Rallye's 'white knight' bid for Casino

By Andrew Jack in Paris

The French stock market regulator yesterday ruled as unacceptable a "white knight" bid for the retailer Casino designed to protect it from a FFr28bn ($4.6bn) hostile takeover by its rival Promodès.

The Conseil des Marchés Financiers (CMF) indicated the friendly offer mada by Rallye, which already owns 28 per cent of Casino, did not meet stock exchange rules, and gave the company two days to come up with an alternative.

The decision was a highly unusual example of intervention in a takeover battle by the French stock market authorities and is one of the first high-profile tests of the CMF, a self-regulatory authority set up almost a year ago as part of a reform of the country's financial institutions.

Its action followed strong lobbying in the last few days by Promodès to block the Rallye bid, and came after discussions by the CMF's members lasting more than 10 days.

Rallye had offered Casino shareholders a mixture of cash and convertible instruments or the option of keeping five of every six of shares and cash compensation if the Casino shares do not reach a pre-set price in an agreed period.

Promodès, which had offered FFr340 a share for Casino, argued Rallye'e bid was unacceptable because it amounted to a partial offer and because it claimed the value of the offer was less than its own bid.

The CMF, which issued a brief statement yesterday, referred simply to article 5-2-7 of its rules, which gives it the right to demand a revised offer if it judges unacceptable: the price or value of the bid; the threshold of accepting shareholders below which the bid can be withdrawn; or the "nature, characteristics, quotation or market" of the shares proposed in exchange.

The mova is a blow to Rallye, and to its controlling shareholder, the financier Jean-Charles Naouri. Casino's own board, its employees' investment fund and staff unions had all opposed the Promodès bid and favoured Rallye's alternative.

Casino boycott, Page 17

UK cable companies resume merger talks in cautious mood

By Christopher Price in London

Telewest and NTL, the UK's second and sixth-biggest cable companies, have resumed merger talks which broke down at the end of last month.

The fresh attempt to broker a deal highlights the strong consolidation trand in an industry where operators have invested billions of pounds in laying their networks, but have made disappointing financial returns.

However, despite the momentum for rationalisation, NTL said it was cautious over the latest merger prospects.

"The problem is that everyone has their own agenda," said George Blumenthal, NTL chairman. He said although discussions had resumed with Telewest, it was too early to predict any result. Telewest refused to comment yesterday.

Mr Blumenthal said consolidation would create a company which would be better abla to bargain with BSkyB, the industry's main programme provider.

NTL has been trying for several months to broker a deal which would make it bigger than Cable and Wireless Communications (CWC), the UK's largest cable company formed earlier this year following the merger of Nynex, Bell Cablemedia, Videotron and Mercury.

The original NTL plan envisaged an enlarged group in which the shares owned by constituent companies would be roughly dependent on the size of their franchises.

But some of tha cable companies involved in the initial talks said tha plan took no account of the strength of different companies' balance sheets. NTL itself is heavily geared, with a ratio of 392 per cent at December 1996.

Mr Blumenthal spoke as senior NTL managers visited UK institutional shareholders. Although based in the UK, NTL has no UK investors. Its shares are quoted on Nasdaq in the US and it has recently secured a listing on Easdaq, the Brussels-based exchange.

Pasminco offer to fund mine purchase

By Elizabeth Robinson in Sydney

Pasminco, the world's largest zinc producer, is to raise A$670m (US$482.5m) through a global share offer and rights issue to help fund the acquisition of Century Zinc, which was completed yesterday.

Pasminco announced the A$345m purchase of Century from Rio Tinto in January. It estimates capital costs at the Century mine in Queensland of about A$940m, compared with Rio Tinto's estimate of A$1.1bn.

Bronwyn Constance, chief financial officer, said Pasminco reached its lower estimate after deciding to outsource the village and the mine fleet. She said Pasminco's total investment in Century would be about A$1.4bn.

Century, which has an estimated life of 20 years, will triple Pasminco's zinc resources to 24m tonnes and produce about 450,000 tonnes a year. David Stewart, chief executive, said it would help secure the future of the company's Budel smelter in the Netherlands.

The mine is expected to be in production by the second half of 1999.

The offer of 79m shares, or about 10 per cent of issued capital, opened yesterday afternoon to institutions and is to close in Australia this morning. The final price will then be determined and share allocations made in the afternoon. The two-for-seven rights issue at A$2 a share will raise about A$500m.

The issues come on top of a US$600m bank debt facility arranged earlier this year. Gearing is currently about 30 per cent, and Ms Constance said that although this will peak during the mine's development, "we're looking at below 40 per cent on an average basis".

The deal with Rio Tinto gives Pasminco the Dugald River deposit in northern Queensland. Last week Pasminco cleared the final obstacle to the Century purchase when it obtained the required leases from the Queensland government.

Pasminco reported a full-year net profit of A$64.7m after abnormals, compared with A$40.8m the year before.

● Burns Philp, the Australian food company, yesterday announced it was writing down the value of its herbs and spices business by A$700m to A$150m.

Shares in the company were suspended yesterday after falling 7.6 per cent Tuesday, as concerns grew about the value it would put on the businesses it was seeking to sell.

The company said it was still in talks with potential buyers for the North American and European herbs and spices operations.

It added that it had breached its gearing and minimum net worth covenants with its banks: because of the write-down its net worth is now A$306m while gearing has increased to 354 per cent.

The company recently announced deeper full-year losses of A$173.3m, compared with a A$61.8m deficit.

Suzuki hits out at Maruti appointment

By Mark Nicholson in Bombay

Suzuki, the Japanese carmaker, has sharply criticised the "integrity" and abilities of R.S.S.L.N. Bhaskarudu, whose appointment as managing director of Maruti, its 50-50 auto joint venture with the Indian government, was pushed through by Delhi at a meeting this week.

In its first statement since the meeting, which it had earlier tried to delay through a legal challenge, Suzuki said it "unequivocally" viewed Mr Bhaskarudu's appointment as "not acceptable". It claimed that the "objective criteria" for its view included Mr Bhaskarudu's "professional integrity, honesty and fairness" and his "management capabilities".

The Japanese group said that Delhi's unilateral appointment of Mr Bhaskarudu was unbusinesslike, "arbitrary and unreasonable", and "will not enable Maruti to face domestic or international competition and will not enable Maruti to grow in the absence of an acceptable, capable managing director."

It also said Mr Bhaskarudu "was unable to answer any questions asked by Suzuki" during this week's meeting, at which the Japanese company voted against both his appointment and the passage of the annual accounts.

However, both items were pushed on the casting vote of Probir Sengupta, Maruti chairman and a government appointee.

Suzuki's statement indicates little prospect for an immediate rapprochement between the two partners in India's biggest carmaker.

Although Mr Bhaskarudu and government officials suggested after the meeting that differences could be narrowed, no further talks on the matter appear imminent.

Suzuki's senior representative at this week's meeting flew from Delhi last night without apparently having had any fresh contact with government officials.

The issue now appears likely to be resolved only through international arbitration in Paris, proceedings for which were initiated by Suzuki's lawyers last week.

Outsourcing leaves ASE set to expand

When Advanced Semiconductor Engineering of Taiwan announced an investment programme of nearly $12bn earlier this week, it marked a significant step in the company's aggressive expansion plans.

The group, which is the biggest microchip packaging and testing company in Taiwan, is aiming to be the world's leading concern in the sector. It has operations in the Philippines and Malaysia, and is looking to set up in other places where there is chip manufacturing.

Such confidence stems from two factors: strong growth in the chip industry and the trend towards outsourcing of specialised services such as packaging and testing – an integral part of chip manufacturing that accounts for between 25 and 30 per cent of the wholesale cost of the finished chip.

Dataquest, the electronics industry analyst, forecasts that the percentage of global chip output processed by specialised packagers such as ASE will rise from 23.4 per cent in 1997 to 63.3 per cent in 2010. The scale of worldwide integrated circuit production will rise over the same period from $159bn to $1,084bn.

ASE's ambitions will be carried out in conjunction with ASE Test, its 69 per cent-owned affiliate, which was listed on the US Nasdaq exchange earlier this year and plans to list on the Taiwan stock exchange soon.

Taiwan already has a large downstream electronics manufacturing industry, and the government is supporting the development of the high-technology sector, which has been targeted by policy-makers as one of the country's strategic industries.

A second high-tech industry zone, modelled after the successful Hsinchu science park founded in 1979, was inaugurated this year. The Tainan science park, located near the southern city of Tainan, is the site of ASE's future investment plans.

The trend toward outsourcing is accelerating at all stages of the chip manufacturing process, particularly with the increasing number of "fabless" chip design houses – those that do not have costly in-house chip plants but instead hire foundry chipmakers to make chips using their blueprints.

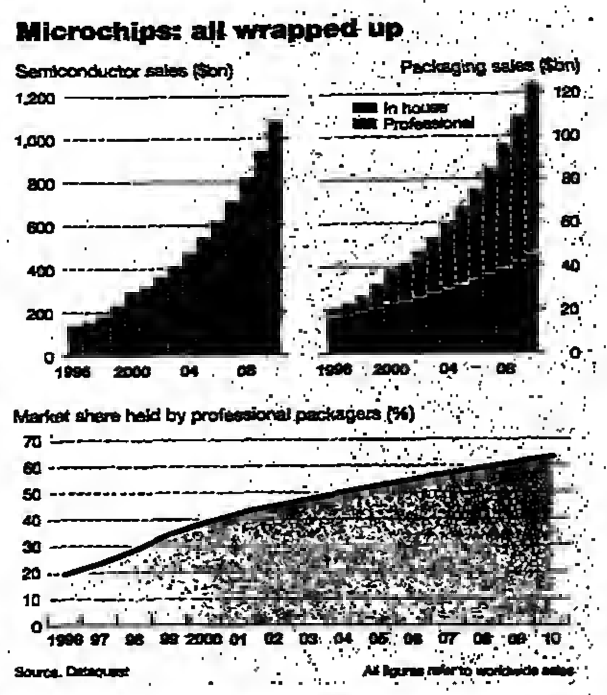
The number of foundry chip-makers – those that do not design chips but produce them on contract for design houses – has grown sharply in recent years, especially in Taiwan, and competition is extremely keen.

Increasing capacity and competition among chipmakers, especially in Taiwan, is also leading to more outsourcing, because specialised companies such as ASE can do a better job at a competitive price, industry analysts say.

ASE aims to become an integral part of customers' operations and to form alliances with its leading customers. It has already entered into a partnership with Taiwan Semiconductor Manufacturing, Taiwan's biggest semiconductor concern and the world's leading foundry chip-maker.

Laura Tyson

Microchips: all wrapped up



ASIA-PACIFIC NEWS DIGEST

Sakura poised for restructuring

Sakura Bank, one of the leading Japanese commercial banks, is poised to restructure, splitting into separate commercial and investment banking units. The bank plans to make the move early next month if the proposals are passed – as expected – by a board meeting next week.

The proposed move would split Sakura's commercial banking business into three groups. One would be responsible for branch operations, focusing on individual clients and smaller customers. The second would focus on big corporations, while the third would handle foreign groups. Sakura also plans to create a new investment banking division to focus on asset management, and will hire outside specialists to work in this unit.

The move comes as a large number of Japanese financial institutions are also seeking ways of expanding their operations in asset management, which is expected to see a boom as a result of planned "Big Bang" financial deregulation.

Gillian Tett, Tokyo

■ TELECOMS

PLDT upbeat on revenues

PLDT, the Philippines' largest telecoms group, yesterday said it expected revenues to increase 15 per cent a year from 1998 to 2000.

Speaking at a Singapore telecoms conference, Edgardo del Fonso, chief financial officer, said the group was set to gain from the battered peso and the continued expansion of its land-line network. At present, international business accounts for 53 per cent of revenues and 75 per cent of revenues are linked to the dollar. The group has said it expects to net an additional 500m pesos ($15m) for each peso depreciation against the dollar. The peso has so far fallen 26 per cent.

In the next five years Mr del Fonso said the group would spend $4bn to double its fixed-line network to 3.2m lines. "We'll grow our lines by at least 15 per cent a year," he said. "So all things being equal, we're looking at a 15 per cent increase in revenue. Our expenses will grow, but not at the same level as revenue growth. We'll keep it at a single digit – 8 or 9 per cent – so our margins should be fairly healthy."

Once the group has a new tariff structure in place – expected this year – to compensate for declining international accounting rates, the group would be making further gains, said Mr del Fonso.

Workers in PLDT's rank-and-file MKP union yesterday continued their strike in protest against "contractualisation and casualisation" of the workforce, the sixth day of such action.

Shares in the group closed unchanged at 935 pesos.

Justin Marozzi, Manila

■ ELECTRONICS

Sharp sees 22% profits decline

Sharp, the Japanese consumer electronics manufacturer, said its parent current profits were likely to fall 22 per cent to about Y56bn ($461m) in the current business year, the first decline in five years.

The latest estimate was much smaller than a prediction of Y76bn made by the company in May. Sharp said parent sales would grow 2 per cent to Y1,410bn this year, compared with its May estimate of Y1,480bn. He said business had been hit by unexpectedly slow sales of personal computers this year, which dampened demand for computer parts such as liquid crystal displays, one of the company's mainstay products.

Sales were hit by price falls of LCDs and the adverse effect on consumer electronics of the April 1 increase in Japan's sales tax. Sharp said the value of its LCD output for 1997-98 would grow 16 per cent to about Y280bn, against an earlier forecast of about 40 per cent. For the half-year to September 30, Sharp expects parent sales to grow 1 per cent to about Y675bn, with current profits of about Y27.4bn.

On a group basis for the full year, Sharp expects sales to grow 4 per cent to about Y1,860bn, and net profits to drop 17 per cent to about Y49.5bn.

Reuters, Tokyo

Seoul casts doubt on Kia courts move

By John Burton in Seoul

The South Korean government and creditor banks yesterday indicated they did not approve a plan by the troubled Kia motor group to seek special court protection, and instead might allow the nation's third-biggest carmaker to go bankrupt next week.

Kia has asked the courts to protect Kia Motors and seven other affiliates from creditors while it retains management control, in an effort to prevent the group from being dismantled and its executives ousted by bank lenders.

A two-month grace period on payments for Kia's estimated Won10,500bn ($11.5bn) in debts expires on Monday.

Kang Kyong-shik, finance minister, yesterday cast doubt on the proposal, saying that "it would be hard for Kia to return to normal even if the courts give their consent".

He ruled out government financial support for Korea's eighth-largest conglomerate and its subcontractors, saying the group's fate should be determined by market forces. He also said the government could not guarantee Kia's debts.

His comments followed remarks by the senior presidential economic adviser criticising Kia for unilaterally deciding to seek special court protection without consulting either the government or creditor banks.

The banks met yesterday to discuss a final decision, expected on Friday, on whether to approve Kia's demand for special court protection.

Some creditors have attacked Kia'a proposal that its debt payments should be rescheduled over the next five years, with a grace period for the first one or two years. Kia wants interest rates on its debts to be lowered to 6 per cent for unsecured loans and to 9 per cent for secured loans.

Samsung Motors faces difficult debut

The launch of Samsung's first passenger car next March appears to come at a most inauspicious moment.

Falling domestic car sales – which have already forced one South Korean carmaker, Kia, to the brink of bankruptcy – bave combined with sluggish export growth as Korean manufacturers confront a global glut in production and fierce competition abroad.

But Samsung remains optimistic. "We expect to become profitable once we achieve economies of scale, with a 70 per cent utilisation rate of our production capacity. That sbonld bappen around 2000 or 2001," says Yoon Jung-ho, executive managing director at Samsung Motors.

But analysts are more cautious. "It has taken other Korean carmakers a decade to achieve profits, and that was when conditions were good. I doubt that Samsung will be profitable for several years, given present market conditions," says Kang Hun-sok, car industry analyst at ING Barings in Seoul.

Some warn that Samsung Motors could become a financial drain on the Samsung group, Korea's second-biggest conglomerate, whose core semiconductors business has recently suffered a sharp fall in earnings.

Samsung's ambition to become Korea's fifth-biggest carmaker – in competition with Hyundai, Daewoo, Kia and Ssangyong – was born in the early 1990s.

Flushed with cash from growing sales of semiconductors, Lee Kun-Hee, Samsung cbairman, decided that vehicle manufacturing was necessary to maintain Samsung's atatus as one of Korea's leading industrial groups. The company spoke of synergy with electronics, as cars became equipped with more computer chips to operate them.

Samsung's plans, however, met strong opposition from other Korean carmakers, which believed the entry of a new competitor into the overcrowded industry would cause severe disruption.

In winning government approval for the car project, Samsung promised to takc measures to reduce adverse side effects on the industry. It planned to sell 55 per cent of its output abroad by 2002 to ease pressure on the domestic market. It also pledged to create its own supplier network to avoid disturbing tbe already stretched resources of the nation's component makers.

Mr Yoon concedes these preconditions have made Samsung'a task more difficult. "We have started from scratch with a new company, a new factory, a new model, new people and new suppliers. The challenge has been immense, but we have succeeded in overcoming the obstacles."

Like other Korean carmakers, Samsung licensed technology from a foreign company – Nissan, of Japan. Samsung will build a modified version of Nissan'e Maxima saloon and another smaller car, and the Japanese group has helped to establish parts suppliers for Samsung.

The bulk of Samsung's Won3,000bn ($3.8bn) investment has been in e new plant at Pusan, which will prodoce 80,000 cars in 1998. Production is scbeduled to rise to 200,000 vehicles by 2000 and to 400,000 by 2002, which is lower than the capacity of its Korean rivals.

"Our emphasis is on quality, not quantity. We want to achieve the same quality as Nissan and Toyota cars from the start," says Mr Yoon.

Samsung is expected to enjoy strong sales initially, since it is likely to sell most of its production to Samsung affiliates and tbeir 130,000 employees in the first few years. But it mey have a harder time achieving its export target as it lacks a distribution network abroad.

Samsung has scaled back plans to sell cars globally, deciding to concentrate on the Asian market. "We can rely on Samsung'a trading channela in tha region, although we hope to reach an agreement with Nissan on using its distribution network," says Mr Yoon.

Samsung is hoping to strengtheo co-operation with Nissan by producing cars on an original equipment mannfacturing basis, as other Korean carmakers have done for foreign partners.

Some analysts question Samsung's export strategy. The Asian market is becoming fiercely competitive as the world's leading carmakers set up plants in the region. Moreover, Samsung may be deprived of Nissan's help once that contract ends in 2002.

"Nissan is not stupid. It may decide to end its relationship with Samsung if it views Samsung as a potential threat," says Mr Kang at ING Barings, who notes Nissan is in a better financial position than a few years ago when it agreed to transfer technology to Samsung.

Samsung'a competitive position might be strengthened if it takes over another carmaker to achieve economies of scale and market share quickly. Samsung is regarded as the main bidder for Kia, Korea'a third-largest carmaker, if it collapses.

But any bid would increase the financial pressure on Samsung Motors when support from the rest of the Samsung group has grown uncertain.

Mr Yoon says that the financial hase of Samsung Motors is widespread and not dependent on the Samsung group, which has provided one-third of its equity. Financing has included convertible bonds and loans from the state-run Korea Development Bank.

Foreign capital is expected to play an important role. An Ireland-based investment group, Pan-Pacific Industrial Investment, recently took the single largest shareholding in Samsung Motors at 31 per cent, although Mr Yoon could not identify its owners.

'I doubt that Samsung will be profitable for several years, given present market conditions,' says Kang Hun-sok, car industry analyst at ING Barings in Seoul

John Burton

Sanofi shares slide after drug setback

By David Owen in Paris

Shares of Sanofi tumbled on the Paris Bourse yesterday after the French pharmaceuticals company said it had dropped plans to extend use of its Skelid drug to the treatment of osteoporosis in most markets.

The shares closed down FFr84, or 13.23 per cent, at FFr551. Earlier in the day they were suspended after falling by the maximum allowable.

The company said the results of tests of the drug for the treatment of post-menopausal osteoporosis in Europe, the US, Australia and Canada were "unfortunately... not as we expected". It said tests were continuing in Japan.

Skelid, also known as tiludronate, is one of three molecules in Sanofi's portfolio which Jean-François Dehecq, chairman, has said were capable of generating annual sales of at least $1bn.

The other two are clopidogrel, a new heart drug, and irbesartan, a treatment for hypertension, both of which were co-developed with Bristol Myers Squibb of the US.

Early sales forecasts for Skelid now look optimistic. The drug is approved for the treatment of Paget's disease, a rare bone condition, in 60 countries, but the company yesterday acknowledged that the "important market really was osteoporosis".

Analysts estimate Skelid achieved sales as a treatment for Paget's disease of FFr40m–FFr50m in 1996, rising to about FFr70m ($11.6m) this year and FFr200m in 2000. Their early estimates of the drug's sales as an osteoporosis treatment were FFr400m in 1999 and FFr600m in 2000.

In spite of the setback, the company was yesterday sticking to its target of achieving a 17 per cent a year return on capital employed between now and 2002.

Some analysts indicated yesterday they thought the shares could still have further to fall.

"For me, the value of the share today is FFr450-FFr500," said Philippe Cottet, a pharmaceuticals specialist with Cholet-Dupont in Paris.

Mr Cottet recently lowered his profit forecasts for the group on the basis of its "very bad half-yearly results". These showed a strong advance from FFr616m to FFr1.06bn in net earnings, but a 3 per cent decline from FFr1.6bn to FFr1.55bn in operating profit.

The company is majority-owned by Elf Aquitaine, the French oil group, which said last year it might sell control.

Sanofi shares have risen rapidly in recent years partly because of speculation it would be swept up in the industry's rapid consolidation, and partly because of expectations surrounding its new products.

Investors back RWE shake-up

By Sarah Althaus in Frankfurt

Plans by RWE, the German industrial conglomerate, to simplify its share structure received a boost yesterday after the association representing the group's dominant municipal shareholders recommended its members give up their majority of voting rights.

The move could signal the end to a long struggle by RWE to persuade the municipalities to cede control over the Essen-based group. RWE, anxious to shed its image as a public-sector dinosaur, hopes a clearer share structure will help increase investor interest in the company.

The planned share restructuring, announced in August, involves the phasing out of "multiple voting" rights on its registered shares, which are mostly held by local authorities.

The Association of Municipal RWE Shareholders (VkA) said yesterday it had recommended that members give up 135.7m, or about 57 per cent, of the company's voting rights by converting their registered shares into ordinary shares with only single voting rights.

It said the 50 or so local authorities involved would decide on its recommendation in the next few weeks.

RWE welcomed the news. "This is extremely positive: a simplified share structure would make us far more attractive for investors, particularly abroad," it said.

VkA stressed the share restructuring would depend on at least DM1.15bn ($640m) being generated in a related move under which preference shareholders would be able to swap their shares for ordinary shares with voting rights. Funds raised from that move would be used to compensate the registered shareholders for the loss of multiple voting rights.

The DM2.78bn share capital of RWE, which has significant interests in energy and a telecoms joint venture with Veba, is split into three groups: DM1.65bn in ordinary shares, DM1.09bn in preference shares and DM35.7m in registered shares. The registered shares have 20 votes each.

Casino staff boycott SocGen

By Andrew Jack

Union organisations and staff at Casino, the French retailer facing a FFr28bn ($4.6bn) hostile takeover from its rival Promodès, have withdrawn at least FFr24m held in accounts with Société Générale in protest at its role as an adviser on the bid.

They are also considering appealing to residents in St-Etienne, the city in central France where Casino is based, to boycott the bank if it continues to support the offer.

The action is the latest in a series of protests following news of the bid which employeee and Casino's management claim will lead to widespread job losses and the closure of its headquarters in the city.

Jacques Cazeneuve, head of Casino's inter-union organisation, said: "Société Générale cannot just hide behind its role as a banker. It has a heavy responsibility to consider the industrial as well as the financial justifications for the takeover."

Casino'e works councils have withdrawn cash from Société Générale, as has the staff health ineurance mutual fund managed by the union in St-Etienne. Several accounts held by Casino employees have also been closed.

Société Générale dismissed the action yesterday, stressing that French law obliges companies involved in a takeover bid to employ a bank as adviser.

Casino'a unions have already organised e demonstration at the Paris headquarters of Société Générale, which is joint adviser to Promodès with Morgan Stanley.

Mr Cazeneuve said that he did not want to put jobs at the bank's St-Etienne branch at risk, but that Promodès' takeover had amounted to "a declaration of war".

The mayor of St-Etienne has also spoken out strongly against the Promodès bid.

Pinault Printemps up 26% at halfway

By Andrew Jack in Paris

Pinault Printemps Redoute, the French retail group, yesterday unveiled interim net profits up 26 per cent to FFr943m ($156.3m), in spite of continued eluggish consumer spending.

Serge Weinberg, chief executive, said French retail spending remained "poor", but that marketing initiatives had helped his companies to increase market share and productivity gains had raised margins.

Other growth came from its international expansion. Mr Weinberg said that with its low debt to equity ratio, the group had the funds to launch an acquisition of "a significant size" in the coming months, which was likely to be in Europe or North America.

The FNAC books and records store had made efficiency improvements by redeploying existing staff into its new Passage du Havre shop in central Paris, and the same would happen with its Champs Elyeées branch, which is due to open in December.

It had also opened 10 telephone shops since January, and there were plans to have up to 20 in operation by the end of the year.

Mr Weinberg said the group's new specialist chains selling men's clothes, lingerie, and children's outfits were progressing well, and it planned to launch a sports chain in February.

A team had been recruited to develop financial services products – notably insurance – and sales would begin before the end of this year using a combination of telephone marketing and outlets in stores such as Printemps and FNAC.

Group turnover rose 8 per cent to FFr40.9bn, with sales in the consumer retail division up 5 per cent to FFr22.2bn, in business retailing up 15 per cent to FFr15.6bn and in international activities up 2 per cent to FFr3.2bn.

Following the hostile takeover bid launched last week for the conglomerate Worms & Compagnie by Artemis, the group's controlling shareholder, Mr Weinberg said there could be tie-ups between Worms's financial services activities and those of his retailers.

Full refit in the wake of losses

Stena's chief is taking a tough course in his bid to return to profitability

The skyline outside the headquarters of Stena Line is dominated by the dockyards and refit facilities of Gothenburg harbour.

From his eighth-floor office, Bo Lerenius has a grandstand view of the ship repair work. But lately, the chief executive of the world's largest ferry company has been more concerned with an overhaul of his own.

Mr Lerenius, who last month announced first-half losses of SKr535m ($70.1m), has ordered a fundamental review of Stena's cost structure in a bid to improve competitiveness and return the Swedish group to profit.

Carta Corporate Advisers, the Scandinavian management consultants, have been appointed to draw up a new vision for Stena, and the group's 6,800 employees have been warned that any cost-cutting recommendations could lead to significant organisational changes and job losses.

Although the restructuring will not be unveiled formally until Stena publishes its third-quarter figures next month, Mr Lerenius has already decided on the initial surgery required to turn the company round.

"We need a much smaller cost base and that means re-examining the whole group structure and our route network," he says.

As a first step, the company has decided to freeze capital investment in new ships and to reassess its presence on routes where intense competition and over-capacity has dented margins.

In the past two years, Stena has invested SKr3bn in new ships – most notably the mould-breaking HSS fast ferries used on Irish Sea routes – but it has yet to see the payback. Meanwhile, it has had a less than happy experience on the English Channel routes amid predatory pricing by Eurotunnel and continuing pressure from rival ferry operator P&O.

"We went through a blood-bath last year when Eurotunnel cut their prices and there were severe delays in introducing the HSS ferries," recalls Mr Lerenius.

That contributed to pre-tax losses of SKr444m on sales of SKr9.21bn last year. Although this year's interim loss marked a small improvement on the SKr556m deficit in the first half of 1996, Mr Lerenius agrees the record is unsatisfactory compared with the profits of SKr502m and SKr201m in 1994 and 1995 respectively.

Anxious not to repeat the experience, he vows that Stena will not only scale back investment in new ships but will spend "only what is required to keep the existing ships properly maintained, not much more".

More urgent still, Stena needs to consummate its stalled marriage with P&O on the Channel routes. Unless it can persuade the European Commission and UK department of trade and industry to approve the merger, Stena is unlikely to return to profit – at least in the short term.

The merger has been approved by French competition authorities, but Brussels has voiced serious doubts over the proposal and Margaret Beckett, UK trade and industry secretary, has yet to endorse a report from the Monopolies and Merges Commission which is said to back the plan.

Bo Lerenius: 'the low point has been passed' FLT PICA

And if the prospect of losing the tie-up with P&O were not enough, Stena is also having to grapple with the likely abolition of duty-free sales within the European Union. Given that on-board spending accounted for 38 per cent of its SKr4.27bn first-half revenues, this would be a severe blow – particularly as shopping is cited by ferry operators as one of their main attractions over travelling on Eurostar.

While Mr Lerenius remains hopeful that the Commission will rethink the duty free abolition, he has asked his retail managers to draw up alternative shopping strategies, such as using franchise outlets to turn each ship into a floating shopping mall.

Some industry analysts, however, are sceptical that Stena will be able to maintain its current market position if the P&O merger is blocked and duty-free sales abolished.

Stena, they point out, has proved weaker than P&O at withstanding the Eurotunnel challenge and confidence in its UK operation has been undermined by the delayed merger.

Some 100 middle managers have left Stena's UK arm in recent months and staff morale is said it be at a low ebb. The disillusion reflects the realisation that if the merger proceeds, Stena will be the junior partner to P&O – with 40 per cent of the new P&O Stena company. And if it is blocked, overcapacity could force Stena to decommission ships and possibly withdraw altogether from some routes.

"The market may be growing, but there is no room for a medium-sized player on the Channel," says one analyst. "In the absence of a merger, Stena must either ratchet up its service to overtake P&O or start a phased withdrawal."

That is an argument Mr Lerenius refuses to accept. He admits Stena has had a rough passage on the Channel, but not that it is heading for the bottom.

"It has been very tough to keep the operation running smoothly," he says. "But the low point is passed and our restructuring plan will decrease the pain step by step."

Tim Burt

FT reporters analyse the background to the $9bn takeover of Salomon Bros by Sandy Weill's Travelers Group

■ TRAVELERS – By John Authers

Acquisition provides global reach

Travelers Group's acquisition of Salomon Brothers means that the biggest and most successful US financial conglomerate has moved on to the global stage.

It also seems to ensure that the "financial services supermarket", a model which many had abandoned after several failed attempts in the 1990s, will move back to prominence, albeit in a new and reinvented form.

Travelers businesses are primarily based in the US, and lack the global reach Salomon can bring it in bond and equity markets.

The new company will be ranked second in the world in US debt underwriting and the addition of Salomon's huge global network will provide significant additional distribution ability for Smith Barney, Travelers' brokerage business.

Reaction on Wall Street yesterday morning was that the combination had a real chance to work. In particular, if anyone can make a success of the newly merged business, it is Sanford "Sandy" Weill, Travelers chief executive. As one consultant put it: "Historically, you don't want to bet against Sandy Weill."

Mr Weill has grown the company swiftly in the last ten years, buying businesses which were either in trouble, or no longer fitted the strategic plans of their parent companies. In the process it has changed its name from Commercial Credit to Primerica, taking on the Travelers name only in 1993. This year it became a constituent of the Dow Jones Industrial Average of 30 stocks.

Big acquisitions included Primerica, Smith Barney, in 1988, and the retail businesses of Shearson Lehman Brothers, which were sold by American Express in 1993.

Mr Weill has diversified across several industry sectors, with the business split into four operating units: investment services, life insurance, property and casualty insurance, and consumer finance. Almost 60 per cent of its revenues and operating earnings come from insurance, while Smith Barney accounted for about 33 per cent.

This is reminiscent of failed attempts to build "one-stop" financial shops, such as at American Express, where Mr Weill, as president until 1985, oversaw the acquisitions of Shearson and Lehman Brothers.

These businesses have no apparent links or synergies with Salomon Brothers, a capital markets business with a dominant position in bonds trading. However, by providing a consistent and predictable stream of earnings from predominantly consumer businesses, they made it much easier for Travelers to take on Salomon, whose trading earnings are highly volatile, than for other potential bidders.

Salomon will be merged into Smith Barney's to form an investment banking business – Salomon Smith Barney. The key personnel appointments have already been made, integrating the two is now key.

This could present challenges similar to those faced after the February deal that linked Morgan Stanley, an institutional player like Salomon, with Dean Witter, predominantly a retail brokerage similar to Smith Barney.

Haig Nargesian, securities industry analyst at Moody's, the rating agency, said: "It helps balance their capital markets activities. It also helps in some capital markets activities where being a large player is particularly important, such as equities and advisory businesses. It propels Salomon and Smith Barney together to the top rank."

But he added that the combination would still need to make further moves in areas such as international mergers and acquisitions, and global asset management.

Once Salomon has been digested – likely to take about a year – the strategic imperatives for Travelers will be to build its asset management business further.

At present Smith Barney is a significant player in mutual funds, managing $39.9bn in assets. This makes it the 15th largest mutual fund family. Mr Weill plainly has ambitions to expand from there.

Corey Yulinsky, a financial services consultant with Mercer Consulting, said: "I can't imagine that he won't continue to invest in asset management. Clearly he's decided not to do so for now. I suspect he thought he could do it organically, or he sees many more opportunities to buy in the future."

The reason for buying Salomon now, according to Mr Yulinsky, is that Mr Weill had to work on the assumption that the ability to buy a global capital markets business would not exist for much longer: "Salomon had scarcity value for him."

Above left: James Dimon, president of Travelers, who will become co-chief executive of Salomon Smith Barney with Deryck Maughan, above right, at present chief executive of Salomon Brothers.
Left: Sandy Weill, chief executive of Travelers
Right: Warren Buffett, leading Salomon shareholder

Travelers' biggest acquisitions

1986	Commercial Credit sold to public
1988	Commercial Credit buys Primerica (including Smith Barney)
1992	Re-named Primerica buys 27% of Travelers insurance
1993	Primerica buys remainder of Travelers
1993	Renamed Travelers buys Shearson Lehman retail and asset management business
1996	Travelers buys Aetna property/casualty insurance businesses
1997	Travelers buys Salomon Brothers

Source: Company

■ THE DEAL

Staff sound positive note

Golden handcuffs will not be used to secure the talents of Salomon's most valuable staff after the acquisition by Travelers. Deryck Maughan, the investment bank's chairman and chief executive, said yesterday.

Instead, the two banks will rely on the attractions of working in a far larger – and more stable – institution to prevent the investment bankers and traders jumping ship.

James Dimon, head of Smith Barney, indicated that Travelers would not interfere with the compensation packages of Salomon's top traders, who have historically earned significant bonuses running into millions of dollars.

The decision not to use special financial incentives is unusual in such takeovers and is likely to intensify efforts by other banks to lure Salomon's top traders and deal-makers. However, there were early signs that the deal was being welcomed, at least by Salomon's investment bankers in both New York and London.

Being part of a much larger financial services institution would mean that they were no longer seen as a part of a specialist bond-trading house, one mergers and acquisitions expert said.

In Salomon's London office, similar positive sentiments were expressed. Smith Barney has only a small presence in Europe's biggest financial centre, while Salomon has built up a substantial resource over several years.

The premium Travelers has agreed to pay for the bank also won a warm reception at Salomon, whose employees between them own 16 per cent of the bank's shares. At yesterday's price, these holdings amounted to about $1.5bn in all, or twice their value of a year ago.

Many details of the merger have yet to be worked out, and the management structure of the combined Salomon Smith Barney, as the investment business will be known, seemed to point to an attempt at compromise.

Mr Dimon, 41, and Mr Maughan, 49, will serve as co-chief executives of the new bank, the sort of arrangement that often proves short-lived. The two said they would try to be even-handed in picking the best executives from each bank to run the operations of the new institution.

The merger is scheduled to be completed before the end of this year, leaving little time to create a new management structure and work out ways to combine the cultures of the two banks smoothly.

Richard Waters and William Lewis

■ SALOMON – By Richard Waters

Buffett ends relationship with degree of dignity

A decade ago, soon after making his first investment in Salomon Brothers, Warren Buffett conceded that he had "no special insights regarding the direction or future profitability of investment banking".

That has proved one of the great understatements of his illustrious investment career. Salomon's earnings have proved volatile, even for an industry known for the sharp swings in its profitability. And its freewheeling ways have at times made the bank seem almost ungovernable.

Whether Sandy Weill of Travelers will be able to make a better job of melding the famous Salomon culture, founded on a history of aggressive risk-taking, with his existing investment businesses remains probably the biggest question facing the new combination.

Mr Buffett has at least been able to bring his 10-year relationship with Salomon to an end with a degree of dignity. A year ago its shares stood at around $45, close to the bank's book value – a clear sign that the stock market did not put a high value on the reliability of its earnings.

At that stage, Mr Buffett was bent on cutting his exposure to Salomon: Berkshire Hathaway, his investment company, raised $447m by selling securities exchangeable into some of its Salomon stake.

Yesterday's deal valued Salomon's stock at about $80 a share, and will leave Mr Buffett with some 3 per cent of the enlarged Travelers. During the bank's ups and downs, Mr Buffett will also have been able to console himself with the 9 per cent coupon he received on the preference shares in which most of his Salomon stake was held.

Yesterday's deal will also bring an end to an investment that Mr Buffett once bemoaned had caused him to give a "vastly greater" amount of management time than its economic significance to his investment company merited.

In 1991, when Salomon was reeling from the revelation that a trader had rigged US Treasury bond auctions, the billionaire investor brought in a new chairman to replace John Gutfreund.

Attempts to impose new management disciplines on the bank have not proved easy, however. By cleaning out its senior management, Mr Buffett lost the talents of John Meriwether, the trader who headed the bank's most consistent profit-earner. A batch of other senior traders also left to join Mr Meriwether's hedge fund business, which has since emerged as one of the most profitable operations of its kind.

Salomon's proprietary trading business has remained the core of its operations – prompting questions yesterday about whether Travelers intended to remain in this business, or reduce the scale of the operation.

James Dimon, head of Travelers' Smith Barney investment business, said of proprietary trading: "It will continue just the way it is. The right controls are in place." He added that about $1bn of Salomon's equity capital backed the operation, and that this figure would continue to fluctuate, depending on the opportunities available in the bond arbitrage business.

Mr Buffett suffered another exodus of talent two years ago, after intervening in the bank's compensation arrangements. He argued, famously, that investment bankers and traders were receiving too big a slice of Wall Street's profits, at the expense of shareholders. The result: some investment bankers, annoyed at seeing their bonuses slashed, quit to join other banks and Mr Buffett's management team was forced to back down and reinstate its old compensation policies.

Mexico's mysterious one-man conglomerate

Carlos Slim has been selling Grupo Carso's assets without revealing his plans for the proceeds

Just what is Mexico's richest man up to? Over the past few months, Carlos Slim, the country's most successful investor, has been carefully selling assets belonging to Grupo Carso, his conglomerate.

The process continued this month with the sale of Carso's 33.3 per cent holding in cement company Corporación Moctezuma for $93m. If a planned issue of its retailing interests goes ahead this autumn, the group will have accumulated well over $1bn in cash.

Almost no one knows what Mr Slim plans to do with his treasure trove. But most analysts and investors agree: a big acquisition is likely.

The uncertainty as to what that purchase might be is driving a wedge between those investors whose faith in Mr Slim has grown as he has moved from success to success, and those who see in the Carso of today little more than a diverse collection of unspectacularly performing companies.

"Any way you look at it, people pay for Carlos Slim," says Kerry McHugh, analyst at Goldman Sachs in New York, who estimates that Carso's market capitalisation – currently about $7.5bn – is almost $2bn more than the sum of its assets. The reason is simply the market's esteem for Mr Slim's skills.

Mr Slim has been making changes to his company for some time.

Last year, he split up Carso's controlling interest in Mexican telecommunications giant Teléfonos de México (Telmex) from the company's other holdings. The move considerably increased the two companies' market capitalisation when compared to the old, undivided Grupo Carso.

In June this year, Carso agreed to sell a 21 per cent stake in Cigatam, its cigarette venture, to its partner Philip Morris, as part of a deal which extended Cigatam's licence to sell Philip Morris products to 2020.

Carso netted $400m from the operation. Philip Morris now holds 50 per cent of Cigatam and will handle the company's marketing operations, while Carso, with the other 50 per cent, will remain in charge of production.

A few weeks later, Carso agreed to sell Loreto y Peña Pobre, its paper-making facilities, to Procter and Gamble for $170m. The sale marked another retreat by Carso from the kind of heavy industry in which it once specialised.


Grupo Carso is named after Carlos and Soumaya, his wife

Nor do the sales end there. By mid-November, it hopes to have completed the listing of Carso Comercial, a new stock which will group together Carso's retail interests, principally comprised of the Sanborns and Sears de México shops. The issue is thought likely to raise between $400m and $500m.

But it is not the disposals but the growth of Mr Slim's war chest – and what he plans to do with it – that is attracting most attention.

"Mr Slim has been one of the few businessmen in Mexico who has been able to take full advantage of the country's economic crises," says Shayne McGuire, analyst at Deutsche Morgan Grenfell in Mexico City. "Clearly, bad times are the best times to buy, but he is one of the few people who have had cash at those times."

There are few clues as to where Mr Slim might be aiming to spend the money.

Carso has long dismissed attempts to detect a complex strategy in its sales and acquisitions. "We are not particularly interested in synergies," says the group. "What we do is get undervalued, poorly-run firms and turn them around."

Some analysts believe that Mr Slim will increase his commercial interests in time to take full advantage of Mexico's belated consumer recovery.

The VIPS restaurant chain and the Suburbia department stores, both assets recently taken on by Wal-Mart, the US retailer, as part of its acquisition of Cifra, Mexico's largest retail company, have been mentioned as possibilities.

Others argue that Mr Slim will seek to increase his exposure to markets outside Mexico, whether by buying an export-oriented concern or by directly investing in south-east Asia.

Whether such a course would be desirable divides those who would prefer Carso to remain a purely Mexican play from those who believe that the company should branch out to make up for its diminished exposure to Cigatam's healthy margins.

Certainly, the group's current mix of companies has failed to inspire some analysts. Its mining and metal interests have suffered from low world prices, while until recently its retailers felt the brunt of Mexico's consumer depression. However, Carso's car part interests have been exceptional for their dynamic, export-led growth.

At heart, most of the judgments about Carso hinge on attitudes towards one man: Mr Slim. The group is barely distinguishable from him; even its name is based on Mr Slim's own first name and that of his wife Soumaya.

And Mr Slim's sway has grown since the August resignation of Fernando Chico Pardo, the Carso board member who acted as chief spokesman and key strategist. (Carso does not officially have a chief executive.)

Mr Chico Pardo's formal post as head of Grupo Financiero Inbursa, Mr Slim's financial group, has been taken by Mr Slim's 29 year old son, Marco Antonio.

"Carso is a one-man show," says one analyst. "If you buy it, you are hoping that their choices in the future will be as smart as their choices in the past. You are betting on Mr Slim."

Daniel Dombey

Cemex steps up investment in Venezuela

By Raymond Colitt in Caracas

Cemex, the Mexican cement company, is increasing its investment programme in Venezuela as a result of strong economic recovery and bright prospects in the construction sector.

Its majority-owned local subsidiary, Vencemos, will invest $45m to modernise its production plants and distribution network.

The decision comes after 14.3 per cent growth in the construction sector during the first two quarters of the year, far above the 1 per cent gross domestic product growth for the same period.

"[We] decided to bet heavily on Venezuela because we think things are going to move ahead," said Victor Romo, president of Vencemos. GDP growth is expected to reach 4 per cent this year and 5-7 per cent next year, driven by strong growth in the construction sector after a five-year recession.

As a result, Vencemos expects sales to grow by 8-10 per cent in 1998, said Mr Romo. Cemex expects its sales in Venezuela to reach $376m in 1997, out of estimated total international sales of $2.2bn.

The company, which recently invested $20m in its newly-inaugurated Caracas headquarters, will not issue new debt to finance the new investments.

According to Santander Investments, Vencemos earns more US dollars per tonne ($40) than any other cement company in the region. They also forecast EBITDA to increase by 21 per cent to $183m in 1997, owing to an expected 10 per cent increase in domestic consumption and average cement prices of about $100 per tonne. Exports are also growing, with an estimated $100m this year, up from $91.5m last year.

Vencemos is a blue-chip share traded on the Caracas stock exchange and is included in the IBC index. Vencemos Type 1 traded yesterday at 1,168 bolivars.

Cemex bought a majority stake in Vencemos four years ago as part of its Latin American strategy.

AT&T, Telecom Italia nearer link-up

By James Blitz in Rome

AT&T and Telecom Italia last night moved closer to an international alliance by announcing they would pursue an exchange of shares that would give each company an equivalent stake in the other.

After two days of speculation in Rome about whether AT&T would pull back from becoming a strategic shareholder in the soon-to-be-privatised telecoms group, Telecom Italia announced that both sides hoped soon to strike a deal on the share exchange.

AT&T's stake, which would give it a 1.2 per cent holding in Telecom Italia, would cost about $450m, the Italian government said. The company's final decision to buy the shares will depend on agreement with Telecom Italia to cement a strategic alliance that was first entered into last July.

However, senior Treasury officials in Rome are confident that both the Italian and US sides will realise the mutual advantage of a global alliance – one that may offer a last chance for both to develop international strategies.

For the Italians, the snag over AT&T's participation has come in the final stages of assembling the stable core of shareholders which will run Telecom Italia for the first three years after privatisation.

Some 18 corporate and financial institutions – most of them Italian – said they would participate when the formal deadline for binding offers closed on Monday. They have pledged to buy more than 10 per cent of Telecom Italia's shares between them.

However, most of these offers have come from Italian financial houses, such as Assicurazione Generali and Monte dei Paschi – none of which has experience in telecommunications.

Nor will any of these companies play a leading role on their own in running Telecom Italia after its privatisation. The sheer size of the sell-off – Telecom Italia is expected to have a market capitalisation of around L72,000bn ($41bn) – means companies are spending considerable sums acquiring a stake that may not give them a seat on the board.

For the Italians, therefore, AT&T's weight can give the telecoms group important business and technological expertise. It would also consolidate Telecom Italia's global reach, cementing the relationship that both sides hope to have in Unisource, the European consortium which AT&T has set up with operators in the Netherlands, Switzerland and Sweden.

For AT&T, there are also important benefits. The company hopes to get a seat on the Telecom Italia board by taking what would be the largest stake of any strategic shareholder. However, its main concern is to cement the strategic alliance before it pays for the shares.

This underlying deal is important for the US side after the decision by Telefónica, the leading Spanish telecoms operator, to quit Unisource earlier this year and join Concert – the consortium formed by British Telecommunications of the UK and MCI, the US group.

Telecom Italia would cement AT&T's position in Europe, say analysts. It would also offer considerable opportunities in Latin America, where the Italian company has already acquired stakes in leading telecoms operators in Argentina, Brazil, Cuba, Bolivia and Chile.

"The growth potential in these markets is considerable," said a senior official involved in the Telecom Italia sell-off. "Brazil, for example, has a population of 150m people, of whom just 20m have so far been linked up to phone lines."

Endesa sale aimed at small investors

By David White in Madrid

Spanish anthorities are counting on beavy demand from small investors to support the forthcoming sbare offering in Endesa, the country's leading electricity group, in a privatisation expected to raise np tn Pta1,125bn ($7.43bn).

Pedro Ferreras, chairman of the state holding company Sepi, which is selling 25-35 per cent of Endesa's stock, said the aim was to increase the company's sharebolder base from abont 200,000 to 1m or more.

This is in spite of a relatively high minimum investment of Pta100,000 for the retail tranche, for whicb the pre-registration period opens on Monday.

The prospectus for the offering was published yesterday after being lodged with Spain's CNMV securities commission, which has complained that details were leaked withont approval. Merrill Lynch, Argentaria and Santander Investment are acting as global co-ordinators.

Sepi has reserved the right to increase the 51.5 per cent portion of the stake initially earmarked for retail investors, reducing the institutional tranches. Retail investors are being offered s 4 per cent discount.

A maximum retail price is due to be set on October 13 and the final price a week later. A furtber 6 per cent of the stake is earmarked for employees, with 10 per cent allocated to Spanisb institutions and the remaining 32.5 per cent fnr the international tranche.

This inclndes a separate 5.5 per cent trancbe for Asia-Pacific and the Middle East – a novelty in this kind nf nperation in Spain – under the leadership of Daiwa and Goldman Sachs.

A 10 per cent share is allocated to the US and Canada, led by Merrill Lynch and Morgan Stanley; 7 per cent for tha UK and 1reland, headed by Santander and Barclays; and 10 per cent for the rest of the world, co-ordinated by Argentaria and Dresdner Kleinwort Benson.

The decision on whether to expand the offering – initially of 260m shares plns en underwriters' oversubscription option of 26m – up to a maximum of 364m is dne to be made on October 14.

Retail investors, who may apply for up to Pta10m worth of shares, are guaranteed up tn 50 each, witb additional shares being allocated proportionally.

Endesa shares rose 1.1 per cent in Madrid yesterday to Pta3,125. The company is also listed in New York.

BZ Group discloses earnings

BZ Group, Swiss financier Martin Ebner's private bolding company, has earned SFr2bn ($1.36bn) before tax since it started managing its group of closed end-investment funds, known as the "visions", in 1991. Mr Ebner disclosed the figure yesterday in an interview with Blick, a Swiss newspaper, writes William Hall in Zurich.

Mr Ebner, wbo made an estimated SFr500m from Credit Suisse's takeover of his 25 per cent stake in Winterthur, has come under increasing criticism in Switzerland for the size of the profits be makes on his investment transactions. Mr Ebner said investors in his four funds – which specialise in investing relatively large amounts in a handful of companies – had earned SFr9bn since he took over the management.

Dismissing accusations that his BZ Trust charged high commissions, Mr Ebner said his fees were success-related. If the value did not increase by at least 6 per cent a year BZ Trust charged no commission, unlike other banks. Until recently, Mr Ebner's investment funds have been bought by a few hig professional investors, but over the past year be has been targeting the retail market and has set himself up as the standard-bearer for small shareholders.

Irked by accusations that he pays no tax on his financial dealings, he recently held a press conference to show his group had paid SFr1.2bn in taxes since it started in 1985.

Martin Ebner: has set himself up as the standard-bearer for small shareholders

Grundig chief resigns after seven months

By Graham Bowley in Frankfurt

The future of Grundig, tbe troubled German consumer products group, was yesterday unclear after Pieter de Jong unexpectedly resigned as chairman – the second company bead to step down this year.

Mr de Jong, wbo took over as cbairman in February, will bc replaced by Herbert Brucb, a fellow board member. Mr de Joog will remain on Grundig's board, assuming responsibility for finance.

The company gave no reason for Mr de Jong's decision. It also announced that Manfred Bartl, formerly of Volkswagen, the German carmaker, would join the company's board.

Mr de Jong took over as chairman following the sbrupt resignation of Pieter van der Wal after only about one year as chairman. At the time, Grundig said Mr van der Wal resigned because of opposition from the company's labour unions.

Grundig, which makes consumer audio and video products, is based near Nuremburg. The resignation is the latest twist in a painful period for the company. Once the epitome of Germany's post-war success, it has fallen into losses, saddled witb bigh labour costs and competition from cheaper Asian imports.

In July, Philips, the Dutch electrooics group, finally severed its link as a main sharebolder when it sold its stake to a group of investors led by a UK bank.

The investor group has since sold its stake to an unidentified consortium of Bavarian investors put together by the Bavarian state government, whicb is attempting to secure the company's future.

Philips cut Grundig loose after Cor Boonstra, Pbilip's new president, said he would no longer cover losses at the offshoot.

The two companies were locked in a dispute about the extent of Grundig's 1996 deficit.

However, Grundlg said yesterday that its supervisory board had agreed to a settlement of the dispute, which puts the 1996 loss at about DM400m ($223m).

Holec IPO pulled as Dutch buyers shun issue

By Gordon Cramb in Amsterdam

ABN Amro Rothschild, the year-old equities venture linking the biggest Dutch banking group and the august London and Paris merchant banks, suffered the embarrassment yesterday of having to withdraw an initial public offering only bours before trading in the shares was due to start.

It and Union Bank of Switzerland were joint co-ordinators for the flotation of Holec Holland, the Netberlands' biggest maker of electrical switchgear.

Holec was due to have been valued at up to Fl 296m ($146.4m) in the international offering – designed in part to allow UBS Capital, the Swiss group's venture capital arm, to sell most of its majority stake.

But as guests prepared to leave for a champagne reception at the Amsterdam Stock Exchange to mark the first dealings, ABN Amro sent out faxes saying the event was off. Menno de Jager, of the bank's corporate investment arm, was last night struggling to save the deal.

The public offering, which involved s mixture of new and existing shares, was said to have attracted insufficient support from Dutch institutions. Without their presence, foreign investors were reluctant to sign up for the simultaneous private placement being marketed elsewhere in Europe and the US.

A revised plan may involve existing shareholders retaining a bigger stake than tbey bad wished. UBS acquired its 53.4 per cent holding in 1995 when backing a management buy-out of Holec from Begemann, an industrial investment group.

Ranking second on the share register is Cinven, the UK private equity company whose 39.4 per cent stake includes holdings on behalf of coal and rail pension funds in the UK.

UBS snd Cinven had hoped each to cut their stakes to below 10 per cent. Holec, in issuing new shares representing 12.9 per cent of ita expanded equity, intended to fund creation of an integrated manufacturing site at its base in Hengelo, near the German border.

Holec made net profits last year of Fl 24.1m on sales of Fl 322.7m.

Eni rises 10% at midway

By Paul Betts in Milan

Eni, the Italian oil, gas and chemicals conglomerate, yesterday reported a 10 per cent rise in first-half net profits to L2,619bn ($1.5bn), on the back of higher operating income and a sharp fall in net financial expenses.

Tbe energy group, now 51.5 per cent controlled by the Italian government following its successful flotation this summer of a third tranche of shares, said revenues rose 6.2 per cent in the first half to L30,751bn.

Capital expenditure was flat at L3,309bn, with about 90 per cent of investments focused on oil and gas activities. Daily average hydrocarbon production rose 5 per cent in the first half, to just over 1m barrels of oil equivalent.

Declining interest rates and lower average net debt led to a 44.5 per cent fall in net financial expenaes, which fell by L226bn. This, coupled with an 8.6 per cent increase in operating income, more than offset a L480bn rise in first-half tax charges.

Eni said yesterday its decision to invest in a 35 per cent stake in the Albacom telecommunications consortium, whose partners include British Telecommunications, the Italian Mediaset television broadcasting group and Banca Nazionale del Lavoro, would enhance the value of its telecommunications equipment and rednce costs.

Eni's acquisition of a stake in Albacom provides for the sale of Eni's transmission facilities to Albscom, as well as the use of its fibre-optic cables network by the consortium.

In turn, Albacom will provide Eni with telecommunications services.

EUROPEAN NEWS DIGEST

Schneider sales rise pleases

Shares of Schneider, the French electrical engineering group, yesterday rose 3.6 per cent on the Paris bourse, to FFr363.50, after the company reported improved first-half sales, mainly as a result of the stronger dollar, and an 83 per cent increase in net profits to FFr1bn ($165.7m).

Sales were up 8.8 per cent from the first six months of 1996 at FFr22.7bn. Of this increase, 5 percentage points were attributed to favourable currency fluctuations. In constant currency terms, sales grew 16.5 per cent in North America and 21 per cent in northern Asia. European sales were up a more modest 2.5 per cent, "reflecting the slowdown of the Italian and UK economies", the company said.

Operating income climbed 22 per cent to FFr2.18bn as the company started to reap the fruits of cost-cutting programmes launched last year.

Schneider said the first-half results, as well as the level of its order book at the end of August, encouraged it to maintain its forecast that sales would grow 5 per cent in constant currency terms for the full year. It said growth would be led by "a beginning recovery in Germany and satisfactory activity in the rest of Europe".

Samer Iskandar, Paris

■ CERUS

De Benedetti group ahead 12.7%

Cerus, the French holding company of Carlo de Benedetti, the Italian financier, yesterday announced net profits of FFr53m ($8.8m) for the first half, an increase of 12.7 per cent from the same period last year. The company's main source of revenue is the management of its FFr1.4bn cash holdings.

In April, Cerus paid back FFr4.2bn to shareholders through a special dividend, following the November 1996 sale of its 28 per cent stake in Valeo, the car components group, for FFr6.3bn. Yesterday the group said it was "actively seeking investments".

Three new directors were appointed to the board – René de la Serre, deputy chairman of CCF, the French bank; Henri Cukierman, chairman of Compagnie Parisienne de Réescompte; and Philippe Camus, general manager of Lagardère, the missile-to-magazines conglomerate. They will replace Gérard Worms, Yves-André Istel, Alain Minc and Alain Dumênil, who resigned.

Samer Iskandar

■ MEDIA

Pro Sieben advances

Pro Sieben, the German media group which made its debut on the Frankfurt stock exchange in July, yesterday said pre-tax profits rose 27 per cent in the first half to DM123m ($68.5m). Sales in the period increased 15 per cent to DM934m.

Georg Kofler, chief executive, said the company expected further improvement in both sales and profits in the second half, when television advertising tends to be greater. Pro Sieben, whose Pro 7 television channel is Germany's third-biggest commercial network, is only the second German media company to be quoted. The sale of 17.5m Pro Sieben preference shares, which raised more than DM1.2bn, was about fifty times over-subscribed.

The majority of the company's voting stock is owned by Thomas Kirch, son of Leo Kirch, one of Germany's media magnates.

Frederick Stüdemann, Berlin

Avis to report in Ecu and sterling

By Charis Gresser

Avis Europe, the car rentals group, will today become the only company on the London stock exchange to report its results in Ecu as well as sterling.

The company, which has a market value of some £861m ($1.39bn) says using the Ecu enables investors to strip out the impact of currency fluctuations and gain a clearer view of underlying trading.

About 20 per cent of the company's business is generated in the UK. The French and German markets together account for some 40 per cent of the business.

The translation of European profits into sterling will have an adverse impact on profits this year, because of the strength of the pound.

BZW, the broker, reckons every 10 per cent swing in sterling has a 3 to 5 per cent effect on earnings. The consensus forecast among analysts for the company's interim pre-tax profits is just over £36.5m.

Avis floated this year, having been taken private in 1989. As a private company, it also reported in Ecu. David Maloney, finance director, said: "When companies start having to report in euros, we will have been doing the equivalent for 10 years. This was all pretty exotic stuff back then, but the boot's on the other foot now."

So exotic, in fact, that the European Commission made a video about businesses reporting in Ecu featuring Avis Europe and the European Space Company. "It was not a top seller," conceded Mr Maloney.

The Ecu is used as a form of currency in the European Union and is made up of a basket of European currencies.

ICI raised the possibility this summer of reporting its results in euros if the single European currency is introduced. At that stage, Ecus will translate into euros on a one-for-one basis.

Grid's Energis sale to help fund bid

By Alan Cane

National Grid plans to use the proceeds of the sale of a minority stake in Energis, its telecommunications subsidiary, to help fund its bid to own and run the power transmission system in Victoria state, Australia.

The Grid is part of a consortium bidding for the system against groups from Singapore and the US among others. It is one of a number of contracts the company is seeking overseas to exploit its power management experience. A decision is expected from the Victoria authorities on October 10.

If it should fail to win the contract, the Grid may spend some of the proceeds on buying back shares.

The company's announcement yesterday that it would float an unspecified percentage of Energis by the end of the year had been expected. It put an end to speculation that it would opt for a trade sale or a demerger.

Mr David Jones, National Grid chief executive, said the float had three purposes: to establish a value for Energis which would be reflected in the his company's share price; to repay shareholder loans; and to provide Energis with a capital structure which would enable it to fund its own future. Energis owes the Grid some £230m.

Mike Grabiner, Energis chief executive, said flotation was the logical next step in the development of the company.

Much of the detail of the flotation remains to be settled, although Dresdner Kleinwort Benson has been appointed as financial adviser, sponsor and global co-ordinator.

Analysts said yesterday that some £200m-£300m might be raised, representing about 25 per cent of the equity and suggesting an enterprise value for the company of about £1bn.

It is thought the pathfinder document for the flotation will be published in November with the flotation in early December.

The shares are expected to be sold in the UK, the US and internationally, reflecting the global importance of the telecoms business.

After flotation, the Energis balance sheet will probably be restructured to facilitate further share sales or a strategic alliance.

Energis is the third largest telecoms operator in the UK. It concentrates on the upper end of the business market, transmitting voice and data over an advanced fibre optic network wound round the Grid's power lines. Customers include the BBC and Associated Newspapers.

The network is working at only 25 per cent capacity. Revenues more than doubled to £97m in the year to March 1997.

Barratt chairman set to bow out for second time

By Andrew Edgecliffe-Johnson

Sir Lawrie Barratt is to retire as chairman of Barratt, Britain's second-largest housebuilder for the second time after being called out of retirement to restore the company's fortunes.

Sir Lawrie, who will be 70 when he leaves in November, last retired in September 1988, but returned after the company plunged to a £106m ($170.7m) loss after writing down the value of its land holdings in southern England and California. He will again have the honorary title of life president.

He said yesterday: "There was a job to be done, and it has been done. There is no reason at all why I should continue any longer."

Barratt has built more than 200,000 houses in Britain since its foundation by Sir Lawrie in 1958.

Yesterday he was able to declare a 35 per cent rise in pre-tax profits to £70.1m for the year to June – compared with £61.5m in the year before his last departure.

Frank Eaton, who has been chief executive since 1991 and who joined the group in 1979, will become chairman and chief executive, in spite of opposition from some institutional shareholders to such combined responsibilities.

Sir Lawrie rejected such criticisms, saying the board would be balanced, and that its structure would be in line with the Hampel Committee's draft recommendations on corporate governance.

A non-executive director, Basil Bean, was appointed vice-chairman yesterday and Sir Lawrie said a managing director would also be appointed soon.

Barratt's 13 per cent increase in turnover to £714.4m stemmed from a 10 per cent rise in the number of houses sold and a 3.9 per cent advance in the average selling price: Barratt completed 7,710 houses selling them for an average £87,100.

Much of the improvement was thanks to the emphasis on southern England, which now accounts for 40 per cent of its profits.

Mr Eaton said Barratt was on track to meet its target of building 11,000 units a year by 2000, adding that its £200m investment programme over the past year had increased land stocks by 15 per cent to 23,300 plots – enough for three years.

Maya Kardum

Lawrie Barratt (left) with incoming chairman Frank Eaton

DMG close to pay-out target

By Jane Martinson, Investment Correspondent

Deutsche Morgan Grenfell said yesterday that it hoped to have paid compensation to all the victims of the Peter Young unit trust scandal by the end of November.

Some 15 per cent of the £230m ($370.3m) compensation is still to be paid out more than a year after Mr Young, a senior fund manager, was sacked. He was found to have breached the rules on buying unquoted companies and is currently under investigation by the Serious Fraud Office.

Frances Davies, head of Pooled Funds at Morgan Grenfell Asset Management, said the remaining compensation was due to investors in non-designated nominee funds, who were more difficult to track down.

The target comes as the fund manager aims to relaunch its unit trusts and other retail products over the next three weeks in a series of roadshows. They start in London on Monday.

Scotia considering listing on Nasdaq

By Daniel Green

Scotia Holdings, one of the larger UK biotechnology companies, is considering listing on Nasdaq.

Last week, Scotia licensed its Foscan cancer drug to pharmaceuticals companies Boehringer Ingelheim of Germany and Kyowa Hakko of Japan for up to $54m plus about 25 per cent of product sales.

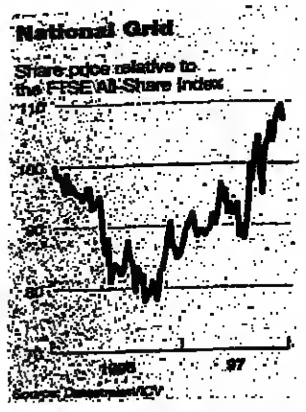
Michael Lawther, finance director, said that a listing on Nasdaq was only one of several cash-raising options being considered. Others included disposal of "non-core assets" such as food emulsifiers, and further licensing deals.

Scotia yesterday reported a first-half pre-tax loss of £12.8m ($20.6m), compared with £7.03m, due to continuing research and development investments.

Sales improved from £7.33m to £10.1m, thanks largely to a sharp rise in sales of non-prescription products by the Efamol division which showed a 66 per cent leap to £6.3m.

LEX COMMENT

National Grid



National Grid should have demerged Energis, its telecoms arm, instead of floating a minority stake. It is not as though Grid provides any useful telecoms expertise. Even its argument that potential Energis customers are reassured that Grid is standing behind it carries little weight; following the float, Energis will have to stand on its own two feet. On a break-up basis, Grid looks fairly valued. Putting the core transmission business on seven times earnings before depreciation, interest and tax would give a value of £4.9bn ($7.88bn). On that basis, Grid's market price is already incorporating an implied £900m value for Energis – in the middle of analysts' valuations. But Grid should probably trade below its break-up valuation because it is keeping most of its Energis stake. First, Energis itself may trade at a discount to fair value, as it will not be an easy takeover target. Second, even Energis's market value may not flow fully into Grid's own share price, because the electricity group could face a conglomerate discount.

Finally, there is the question of how Grid will deploy the £200m or so proceeds from the Energis float. Grid is hoping its consortium will win the bidding for an Australian transmission business, which could cost it £700m. That might seem to reduce its scope for any share buyback. But, as a stable utility, debt levels equal to a third of enterprise value would be appropriate. That would allow a £700m buy-back, if it wins in Australia – or £1.2bn if it fails.

NEWS DIGEST

Greenalls shares slide on warning

Shares in Greenalls Group fell sharply yesterday after it warned of a second-half setback in the managed pubs and restaurants division. The group blamed delays in introducing new pub formats and dull trading. The news came in a trading update covering the 11 months to August 31.

The shares shed 37½p to close at 414p as analysts revised their forecasts down from about £167m ($268.9m) to £157m for the year to the end of September.

Greenalls said the performance of the managed estate would be flat in the second half when compared with the previous year, when the Euro 96 football championship had boosted receipts.

Lord Daresbury, chief executive, said there had been a pause in investment following the acquisition of Boddington in October 1995 – at a time when competitors were increasing boosting capital expenditure. *John Willman*

Cookson makes disposal

Cookson, the specialist industrial materials group, has completed its exit from the manufacture of plastics additives with the sale of Anzon, its antimony products business, to Great Lakes Chemical, the US speciality chemical company. Dennis Millard, finance director, declined to give details until the deal was completed next month, but said Anzon, which is part of the group's plastics business, was profitable.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Aquarius	6 mths to July 31	15.7	(13.5)	2.3	(1.11)	7.53¥	(5.02¥)	3.31	Nov 17	-	-	-
Avonmore Foods ♣	6 mths to July 5	647.2	(635.8)	17	(13.1)	6.6	(6.11)	2.05†	Oct 24	1.9	-	4.5
Barratt Devs	Yr to June 30	714.4	(634.3)	70.1	(52.1)	19.8†	(17.8)	6	Nov 21	5.5	6	8.25
Benchmark	Yr to June 30	8.28	(1.01)	4.22	(0.061)	8.6†	(2.7)	-	-	-	3	-
Billam Φ	6 mths to June 30	3.75	(3.47)	0.036	(0.002)	1.7	(0.1)	2.2	Nov 7	2.2	-	5.8
Brake Bros	6 mths to June 30	331.1	(296.1)	10.8	(12.4)	14.2	(15.8)	3.2	Dec 31	2.9	-	10.2
Clarkson (Horace)	6 mths to June 30	16.8	(16.1)	1.8	(1.7)	4.7	(4.7)	1.5	Nov 20	1.5	-	2.5
Densitron	6 mths to June 30	14.4	(16.8)	1	(0.894)	1.33	(1.29)	0.6	Dec 1	0.6	-	1.6
Gulton	6 mths to June 30	16.8	(16)	1.69	(1.58)	5.79	(5.37)	2	Oct 13	1.82	-	4.86
Hat Pin Φ	6 mths to June 30	1.52	(1.06)	0.073	(0.216)	1.1†	(4.6)	1	Dec 4	1	-	2.72
Howard	Yr to Apr 30	5.53	(5.19)	0.404	(0.406)	1.1	(1.09)	0.8	Nov 6	0.8	0.8	0.6
London Asia Pac Φ	6 mths to June 30	0.035□	(0.035□)	0.017	(0.014)	-	(-)	-	-	-	-	-
Minerva	11 mths to June 30★	28.3□	(28.7□)	9♥	(4.7L♠)	8.8	(13.5L)	1.5	Nov 26	-	1.5	-
Plantation & Gen	6 mths to June 30	28.8	(23.6)	0.884♠	(0.36)	1.3	(0.1)	-	-	0.5	-	2
Regent Inns	Yr to July 5	44.4	(31.8)	12.8	(8.01)	12.8†	(8.8)	2.3	Nov 17	1.57	3.3	2.2*
Ryan Hotels ♣	6 mths to July 31	14.4	(13.9)	1.9	(1.8)	2.57	(2.12)	0.6875	Nov 17	0.625	-	1.875
Scotia	6 mths to June 30	10.1	(7.33)	12.8L	(7.03L♠)	16.6L	(9.2L)	-	-	-	-	-
Spandex	6 mths to June 30	48.8	(47.5)	3.61♠	(4.46)	6.9	(6.6)	1.2	Jan 9	1.1	-	3.2
Springwood	6 mths to June 30	6.14	(7.05)	0.721	(0.211)	3.4†	(2.1)	-	-	-	-	0.6
Superscape VR	Yr to July 31	3.11	(3.69)	5.95L	(2.57L)	66.6L†	(37.9L)	-	-	-	-	-
Tuskar Resources ♣	Yr to Mar 31	0.45	(0.355)	0.356L	(1.17L♠)	0.06L	(0.4L)	-	-	-	-	-
United Carriers	6 mths to June 30	65.6	(67.3)	1.29	(0.75)	3.1	(3.9)	1.7	Oct 31	1.6	-	3.4
Waterford Foods ♣	6 mths to June 30	516.9	(540.4)	7.82	(10.6)	2.06	(3.38)	1.19	Oct 24	1.36	-	3.24

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Fleming Smaller	Yr to July 31	164.8	(168)	0.904	(1.22)	3.44	(4.75)	3.2	Dec 1	3.2	4.5	4.5
Henderson Eurotrust	Yr to July 31	189.04	(159.99)	0.41	(0.417)	2.33	(2.37)	1	Nov 10	1	2	2
Invesco City & Comm.	6 mths to July 31	150.6	(139.6♦)	0.317	(0.43)	2.49	(3.39)	1.3	Nov 27	1.3	-	4.5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ¥Pro forma. ♣Irish currency. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. ★Comparatives for 13 months to July 31 1996. □Rental income. *After subdivision of shares. ♦At January 31.

MSCP to buy into telecoms

By Alan Cane

Morgan Stanley Capital Partners is investing £15m ($24.15m) for a 26 per cent stake in First Telecom, the UK-based telecommunications company. The investor is the private equity unit of Morgan Stanley, Dean Witter, Discover and Company.

The deal underlines the potential investors see in the UK's fully liberalised telecoms market, which has some 200 licensed operators. It also reflects potential development in continental Europe after next January, when markets are fully opened to competition.

The company intends to use the proceeds to fund expansion in Europe and the development of infrastructure in the UK.

First Telecom's German unit opened on September 1 and its French arm is due to launch on October 1. Marc Citron, chairman, said: "I would not rule out some kind of initial public offering in the next two years".

TECHNOLOGY

Engineers can cut out reinventing the wheel with new software, says **Phil Greenfield**

The ideas machine

Engineers are, by nature, creative thinkers. But some are much hetter than others at coming up with new ideas.

What if all engineers had the creativity of Thomas Edison or Alexander Graham Bell? If one US company gets its way, young would-be inventors at universities around the world will be able to learn how their forbears came up with the great engineering inventions of their day.

The company, Invention Machine Corporation, has created an "invention machine" – also known as computer-aided innovation software. It is a Windows-based package programmed with details of how the great inventors worked and it can help engineers become more innovative.

It is being used by US companies such as Motorola and Rank Xerox as a design tool, allowing them to cut research and development costs.

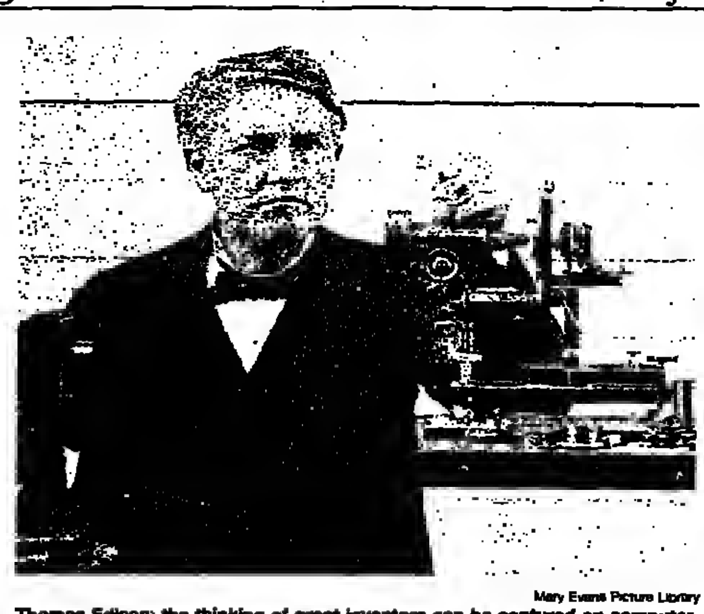
Universitias in the US are already running courses in conceptual engineering based around the invention machine and Imperial College, London, and Coventry University could become the first institutions in the UK to use the software to teach undergraduates.

"After using the software, creativity eventually becomes intuitive," says Gerald Zaal, vice-president of international sales and marketing at Boston-based Invention Machine.

The atory of the machine could be out of a Cold War spy novel. A Russian patent agent, Genrikh Altshuller, noticed that all engineering inventions appeared to have certain things in common. He saw patterns in the way pbysical effects and design techniques were being used in inventions, without collaboration between tbe inventors. Therefore, he thought, buman creativity must follow a formula which could be taught.

His ldeas were thought so radical when published in 1946 that he was sent to a gulag for 10 years. On his release, he enlisted the balp of scientists and engineers to analyse more than 1.5m patents to prove his theories. The process took 700 man years and the results were startling. Only 40 design techniques were needed to solve any engineering problem. In addition, tbere were found to be 39 main engineering parameters that can describe any problem.

Moreover, more than 90 per cent of engineering problems encountered by the inventors had already heen solved in previous inventions, so it was ohvious that some way of providing easy access to the expertisa of past inventors could help reduce the time it takes to invent new products.



Mary Evans Picture Library

Thomas Edison: the thinking of great inventors can be captured on computer

Altshuller theorised that hy describing a prohlem using one of these parameters, the best design techniques could be applied. He called this theory Triz, a Russian acronym for the theory of inventive prohlem solving. Triz, with its huge database of patent information, forms the basis of the invention machine.

The software package, which costs around £6,000, comes in different modules. The first part belps identify the prohlem to be overcome. Then the user can model the effects different conditions have on the invention, the main physical principles involved, a prediction of how it will work and a comparison with competing or existing products, all before a single line is drawn on a computer screen.

The software is already proving its worth commercially. SKF, the world's biggest hearings company, has a number of licences for the software and has used it to design a process for the rapid manufacture of ball bearings.

Filip Rosengren, product development engineer at SKF Nova, the company's business development arm in Gothenhurg, Sweden, has been using the invention machina for around a year.

"We have developed a technique called high-velocity forming, which is basically a press that works at machine gun pace to produce around 1,000 ball bearings a minute," says Mr Rosengren. "But we needed to invent a way to insert and pull out the work at high speed. That's where the invention machine helped." He used it to come up with a novel method of feeding material into the machine.

According to Desktop Engineering, the Oxford-based company distributing the invention machine software in the UK, it is designed to complement computer aided design and manufacture (Cadcam) software and other computer-alded tools such as finite element analysis.

Proponents claim it can rednce the time to market, organise the thinking in a company's design and engineering function and turn engineers into inventors.

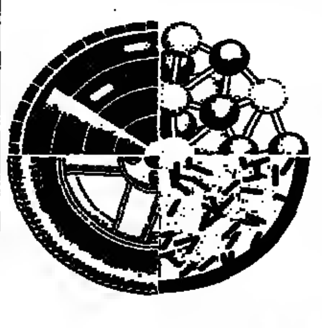
There is some heavyweight backing outside the US. in Japan, tbe Mitsubishi Researcb Institute has paid $13m (£8m) to distribute the software for three years. MRI's members include Toyota, Mitsubishi Heavy Industries, Toshiba and Matsushita. All will buy the software. Nippon Steel, Hitachi, Canon, Nissan and Fuji are already using it.

But engineers looking for an easy ride to developing great new products should take note. Work so far shows that the better the knowledge of the engineer, the better the end result.

"Oarbage in always equals garbage out," says Mr Zaal.

The outhor is news editor of UK-based Professionol Engineering magazine.

Worth Watching · Vanessa Houlder



Nylon tags to trace counterfeit goods

Reliable methods to authenticate genuine goods are important in the fight against counterfeiting. A new tagging technique devised in the US is particularly difficult to duplicate.

The technology, developed at the US Department of Energy's Oak Ridge National Laboratory, labels prodncts with tiny fibres of fluorescent nylon that can be "read" using a simple optical scanner. An enormous number of different tags can be prodnced, taking advantage of the range of ways in which the fibres can be incorporated into the prodnct.

Tracer Detection Technology, based on Long Island, New York, is commercialising the tagging technique. It believes it can provide manufacturers with a customised label that is virtually impossible to duplicate.

Oak Ridge National Laboratory: US, tel 4235760226; www.ornl.gov/news

Age-gap clue to sex of a first child

The first-born child of a woman who conceives with a man mnch older than her is likely to be a boy. But if she conceives with a man much younger, the first child is likely to be a girl.

This finding – reported in today's Nature journal – sounds like folklore. But scientists at the University of Liverpool in the UK have statistical evidence in its support from an analysis of 301 families between 1911 and 1952.

The findings belp account for the increased proportion of male births during and shortly after periods of war. The Liverpool researchers found that in England and Wales, the age difference between husband and wife increased during and immediately after the two world wars.

The Nature paper points ont that among animals, rank is often related to the sex of offspring. It also points to previous research that suggests that in human society, elite males tend to form partnerships with younger women and have more sons than daughters.

The researchers do not know how the sex of first-borns is influenced in this way. But they suggest that women might be able to influence the mobility of sperm bearing X or Y chromosomes; or they might tend to have higher miscarriage rates of one or other sex.

University of Liverpool: UK, tel (0)1517945026; e-mail jtmanna@liv.ac.uk

Accident location flagged up

An inflatable, reflective "flag" has been launched as a safety device for sailors and mountaineers who need to indicate their location to rescuers after an accident.

The device, called Skystreme, will become airborne in light wind and hover 80ft above its release point, where it is highly visible and able to reflect radar. In an emergency, the device could also be used as an air-inflated splint to immobilise a broken limb or as a thermal vest.

Skystreme UK: UK, tel (0)181 560 6873; www.skystreme.uk.net

Mussel in on medical tasks

The extremely strong bnt stretchy threads that are used by mussels to cling on to rocks and ships could inspire a new approach to designing artificial skin and other biomedical materials, according to a report in Science journal.

Researchers at the University of Delaware investigated the molecular structure of the byssal threads used by mussels to tether themselves to surfaces.

They say it is the first known protein to have regions that resemble both collagen and elastin – which are themselves structural proteins.

University of Delaware: US, 3028316408; www.udel.edu/

The mobile voice of progress

Most mohile phone users say they would be lost withont tbem, even though the handsets can be inconvenient when nsers need to keep both hands free, and potentially unsafe when, say, in the hands of motorists.

Yesterday two of the biggest names in the mobile phone industry unveiled a solution. Matra Communication of France and Canada's Northern Telecom (Nortel) launched what are claimed to be the world's first digital mobile phones to use voice recognition technology for automatic dialling.

The handsets feature a system called Personal Acoustic Control, in which voice dialling is a key element. The others are virtually hands-free operation and snperior acoustic quality compared with current mobiles.

Together, these features will revolutionise the use of mobile phones, says Jean-Bernard Levy, chairman and chief executive of Matra Communication, which is jointly owned by Nortel and France's Lagardère Group.

With the voice dialling feature, the phones can memorise up to 20 names spoken into the handset, tagging them to a number in the directory. Users just switch on their handsets and say the name they want to activate dialling. To avoid mistakes, the phones repeat the name before making the call.

The voice command function includes a sound filter to eliminate background noise and enhance voice recognition. To ensure bands-free calling, the system includes a high quality loudspeaker and microphone. This lets users put the handset down to let other people take part in the conversation.

Volce dialling, say Matra and Nortel, will make mobile phones mnch safer to use while driving, and discussions bave been beld with several interested car manufacturers. The phones will also be aimed at beavy nsers of mobile phones, says Mr Levy, and could benefit the disabled.

The prodncts will be marketed under the Nortel, Matra Commnnication and AEG brand names, depending on the country, and are seen by the companies as the first in a new generation of mobiles. Second-generation prodncts could include a mnch bigger memory of names, says Matra, raising the possibility that the conventional numeric keypads could ultimately be dispensed with. This in turn would allow mnch smaller handsets.

In the UK, the Mercury One-2-One network will be the first to offer the phones. The other named operator in Enrope will be Bnoygues in France, and further customers worldwide are to be announced soon.

Andrew Baxter

SABRE LEASE MANAGEMENT plc
For Interest Payment Date 1st October 1997

	Mezzanine Loan Notes	
	£5,850,000 due 2001	
Interest Rate	7.25%	
Interest Payable	£33,625	
	Per £10,000 Note	Per £100,000 Note
Principal Payment Due 1st October	£3,171.28	£31,712.77
Principal Outstanding After Principal Payment	£0.00	£0.00
Pool Dactor After Principal Payment	0.000000	0.000000

INTERNATIONAL CAPITAL MARKETS

Bunds buoyed by inflation data

GOVERNMENT BONDS

By Vincent Boland in London and John Labate in New York

Government bond markets rebounded in active trading yesterday, helped by a strong performance from bunds and an early jump in US Treasuries. Most markets ended higher, with 10-year spreads over bunds closing mostly unchanged.

GERMAN BUNDS were buoyed by data showing a slowdown in inflation. Preliminary data for western Germany showed the consumer price index fell to an annual 1.8 per cent in September, compared with 2 per cent in August.

The data were interpreted as lessening the likelihood of any immediate change in German interest rates. UBS in Frankfurt noted in a commentary on the data that "the position of those hawks in the Bundesbank council, who had argued in favour of early tightening, has weakened substantially."

That was good for bunds. The December futures contract settled 0.27 higher at 102.95, having reached 103.05 earlier. More than 192,000 contracts were traded in London. The 10-year bund yield is now close to 5.5 per cent, leaving some analysts wondering whether there is much room for further tightening in the short term.

Phyllis Reed, international strategist at BZW, said that with US futures returning to highs last seen at the end of July, markets were "close to some significant resistance", and needed a further US-inspired rally to break through those levels.

UK GILTS followed bunds higher, with the December gilt contract settling up ¼ to 117⅞. Nearly 49,000 contracts were traded and the yield spread over 10-year bunds ended unchanged at 121 basis points. Dealers were looking to today's auction of £1.5bn of 8 per cent 2021 gilts, with cover expected at about two times.

There is little domestic news to provide direction for gilts in the short term, leading some to suggest that the current gilt rally might be heading for a period of consolidation, barring convergence plays.

ITALIAN BTPs also firmed. The December contract settled 0.41 higher at 112.25, close to the top of its trading range for the day. Investors are increasingly focused on welfare reform talks between the government and trade unions, the outcome of which is likely to have an important bearing on when the Bank of Italy can cut interest rates.

FRENCH OATs shrugged off recent lethargy in the wake of the budget, with the December contract settling 0.30 higher in Paris at 99.94.

US TREASURIES rose strongly in morning trading, before an afternoon auction of five-year notes. By midday the benchmark 30-year bond was ½ higher at 100⅞, yielding 6.330 per cent.

Shorter-term issues were also firmer, with the 10-year note up ⅛ to 99⅞, yielding 6.043 per cent, and the two-year note up ⅟₃₂ to 99⅞, yielding 5.767 per cent. Rumours of overseas buying of five-year notes was believed to be behind the lift in other securities, though overall volume was moderate.

"We haven't had a lot of economic data for a while, so we're in a bit of a vacuum," said Terrence Pigott, head of government trading at Daiwa Securities America. "The market is in a bullish mood from recent inflation numbers and now we have a lack of sellers," he added.

Today's release of durable goods orders for August and jobless claims may give the Treasury market further direction.

Tuesday's auction of two-year notes met disappointing demand, analysts said, but yesterday's auction of $11.5bn in five-year notes was expected to fare better.

"The two-years are pretty expensive, but the flatness of the yield curve may be working for the five-year," said Kevin Flanagan, money market economist at Dean Witter Securities in New York.

Kexim returns in D-Mark deal

INTERNATIONAL BONDS

By Edward Luce

Korea's Export-Import Bank (Kexim) yesterday returned to the international bond markets for the first time since the country was hit by a spate of bankruptcy worries earlier this year.

The agency, viewed as one of Korea's proxy sovereign bond issuers in the absence of the Korean government, came to the market with a three-year DM500m offering.

Analysts said the timing was related to the success of Korea Development Bank's return to the markets this month. The success of the KDB bond, which has tightened on the secondary markets, prompted Kexim to follow, said bankers.

"It is a little bit of an adventure to come with Korean credits to the market right now," said an official at Merrill Lynch, joint book-runner with ABN Amro, in Frankfurt. "But we did a lot of work to make sure this went well."

Nervous investors were reassured yesterday by the generous spread on the offering, which was priced to yield 62 basis points over Libor at re-offer. This compared favourably with the spread of 20 basis points offered by Kexim on its last D-Mark denominated deal in February. In addition, the earlier deal carried a five-year maturity as opposed to yesterday's three-year tenor.

Bankers said the spread was decided on after extensive pre-marketing talks with investors. "The spread basically prices in the possibility that Korea will be downgraded by the credit rating agencies," said a syndicate official.

Kexim has a credit rating of A1 from Moody's and AA– from Standard & Poor's. "This deal is basically where a single A or triple B credit would be priced," said one analyst.

Elsewhere, BAYERISCHE LB, the Bavarian Landesbank, joined the rush towards the short-end of the floating sector with a $500m three-year offering. An official at Nikko Europe, joint lead with CSFB, said the choice reflected the "cautious" sentiment in the market. "Spreads have widened a lot in the last few weeks so we're sticking to the short-end," he said.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Bayerische Landesbank	500	6.00	99.663R	Oct 2000	0.1875R	+15(6%Aug00)	CSFB/Nikko Europe
Saint-Gobain Nederland	300	6.375	99.60R	Oct 2002	0.30R	+38(Wl 5yr)	Merrill Lynch International
Worldinx CBO(a)‡	207	(a1)	100.00	Oct 2009	0.25		JP Morgan Securities
Peugeot Finance Intl	150	6.25	99.825R	Oct 2000	0.225R	+34(6%Aug00)	BNP/Salomon/UBS
D-MARKS							
Export-Import Bk of Korea‡	500	(b)	99.63R	Oct 2000	0.15R		ABN Amro/Merrill Lynch
Bank of Nova Scotia‡	300	(c)	100.065	Oct 2000	0.125		ABN Amro/BZW Deutsch
STERLING							
BA CCC 97-1(d,e)	400	7.125	99.726R	Sep 2002	0.25R	+38(7%Jun02)	Salomon Brothers Intl
ITALIAN LIRE							
Kingdom of Sweden(e)‡	400bn	(e1)	99.95R	Oct 2007	0.20R		Sanwa International
Cred Postspeoriale(f)‡	300bn	(f1)	99.77R	Oct 2012	0.30R		BCI/Caboto/Cariplo
LUXEMBOURG FRANCS							
Banque Generale du Lux	2bn	5.625	102.10	Nov 2005	2.00		BGL
NEW ZEALAND DOLLARS							
Canada	500	6.625#	98.245R	Oct 2007	0.325R	+17(8%Nov06)	TD Securities

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. # Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Collateralised on portfolio of US high yield and emerging market debt. Callable from Oct 03 at par. Expected average life: 6 yrs. a1) 6-mth Libor +40bp. b) 3-mth Libor +50bp. c) 3-mth Libor flat. d) BA Credit Card Corp. Collateral: BA Master Credit Card Trust Class A Series 1997-8. Legal maturity: 15/10/04. e) Callable on 24/10/00 at par. e1) 3-mth Libor +30bp to 24/10/00, then 6%. f) Callable on 22/10/07 at par. f1) 9.3% to 22/10/99, then 5.4% to 22/10/07, then 6%. g) Short 1st coupon.

German, Austrian exchanges in talks

By Graham Bowley in Frankfurt

The Vienna stock exchange has asked Deutsche Börse, continental Europe's biggest futures and options exchange, to run its share and bond markets.

The exchanges are in discussions that could lead to the outsourcing of the Vienna market's operation to the German exchange.

"Vienna has asked us whether we could put their market on our system," said Werner Seifert, Deutsche Börse chief executive. However, he stressed that discussions were at an early stage and no agreement had been signed.

The move would extend the influence of Deutsche Börse in Europe's financial markets following the German exchange's link-up last week with its French and Swiss counterparts.

It is likely to be seen as a further blow to the London International Financial Futures and Options Exchange, Europe's biggest, which is competing with its German rival for market dominance ahead of European economic and monetary union.

The talks centre on the transfer of Vienna's equity trading to the Deutsche Börse's new electronic trading system, due to be launched in November. But German officials said bond trading could also be transferred.

Mr Seifert said Vienna's cash market trading would be the first to be moved to the German system, and its derivatives market could soon follow.

The move is likely to reduce sharply trading costs on the Austrian exchange.

CAPITAL MARKETS NEWS DIGEST

Record issue from Crédit Lyonnais

Crédit Lyonnais, the troubled French bank, will today launch the largest eurobond issue – FFr40bn of collateralised securities. The bond will be backed by one-third of a loan that Crédit Lyonnais was forced to make at below market interest rates to Etablissement Public de Financement de Restructuration, a state-backed entity set up in 1995 to help rescue Crédit Lyonnais.

The bank is losing money on the FFr135bn loan to EPFR, but by securitising part of it, Crédit Lyonnais will reduce the financing gap and transfer part of the burden to investors. Last year Crédit Lyonnais securitised the first FFr40bn tranche of the EPFR loan, in a transaction called Cyber-Val 06-97. That deal, however, which was already the world's largest bond issue, came in four tranches.

A special purpose vehicle called Cyber-Val 09-97 is being set up for the new issue. This transaction will be launched in a single tranche. J.P. Morgan and Merrill Lynch, the lead managers, will price the deal today.

Several French banks boycotted the Cyber-Val syndicate last year, complaining they had been offered "insultingly small" amounts to sell to clients.

Samer Iskandar, Paris

■ LIFE ASSURANCE

Hannover Re to securitise risk

Hannover Re, the German-based reinsurer, plans to transfer to the capital markets the costs of generating new life assurance sales, in a move that would take the insurance industry into unfamiliar territory.

Several insurers have already begun to securitise insurance risk. In June, USAA sold $400m of "catastrophe bonds" to spread the risk of taking a direct hit from a hurricane on the US eastern seaboard. However, such transactions have been restricted to natural perils and other conventional risks. It is thought Hannover Re would be the first to spread life assurance risk in this way.

The company is considering asking institutions for letters of credit totalling DM100m, which would be drawn on if future losses were higher than a pre-determined level. The institutions would receive cash if losses were lower.

Christopher Adams, Insurance Correspondent

■ SECONDARY OFFERING

Dassault Systèmes shares priced

Dassault Systèmes, the French computer software development company, yesterday priced a secondary offering of 3.07m existing shares. These will be sold to investors at FFr380 for every share listed on the Paris Bourse, or $63.06 for each US-listed American Depositary Share. Each ADS, listed on Nasdaq, represents one underlying French share. Half of the shares are being sold by IBM, the other half by former shareholders of SolidWorks, which was merged into Dassault in July.

Samer Iskandar

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Sep 24	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	03/99	8.250	102.2187	4.67	+0.04	+0.01	–0.46	–2.23
	10/07	10.000	128.6132	6.11	+0.04	–	–0.72	–1.77
Austria	09/99	7.000	105.1300	4.24	–0.07	+0.01	–	+0.43
	07/07	5.625	100.5000	5.55	–0.04	–0.06	–0.20	–0.67
Belgium	04/99	7.000	104.3800	4.07	–0.04	+0.05	–0.05	+0.43
	03/07	6.250	104.7200	5.59	–0.04	–0.07	–0.22	–0.75
Canada	03/99	4.000	99.9600	4.03	–0.02	+0.09	+0.14	–0.95
	06/07	7.250	110.7800	5.76	–	–0.01	–0.29	–1.46
Denmark	12/99	6.000	102.8200	4.61	–0.04	–0.02	–	+0.04
	11/07	7.000	108.9600	6.06	–0.04	–0.09	–0.17	–1.02
Finland	01/99	11.000	108.5100	4.08	–0.08	+0.02	+0.15	–0.11
	04/06	7.250	110.2880	5.69	–0.06	–0.11	–0.25	–1.20
France	11/99	7.000	105.8300	4.07	–0.05	–0.01	–0.04	–0.12
	10/04	6.750	108.6700	5.08	–0.03	–0.03	–0.14	–0.87
	10/07	5.500	100.3800	5.45	–0.03	–0.04	–0.17	–0.74
	10/25	6.000	98.6200	6.10	–0.03	–0.05	–0.23	–0.87
Germany	06/99	3.500	99.2800	3.93	–0.04	–	–0.05	+0.36
	07/04	6.750	109.0300	5.14	–0.03	–0.05	–0.21	–0.66
	07/07	6.000	103.5900	5.51	–0.04	–0.06	–0.21	–0.64
	07/27	6.500	104.4600	6.17	–0.02	–0.04	–0.25	–0.78
Ireland	04/99	6.250	101.1500	5.41	–0.02	–0.02	–0.57	–1.06
	08/06	8.000	113.4600	6.00	–0.02	–0.11	–0.46	–1.18
Italy	05/00	8.000	101.8200	5.25	–0.06	–0.24	–0.81	–2.86
	05/02	6.250	103.0200	5.50	–0.06	–0.20	–0.71	–2.91
	07/07	6.750	105.0800	6.05	–0.04	–0.18	–0.52	–2.95
	11/26	7.250	108.0000	6.63	–0.04	–0.23	–0.56	–2.71
Japan	06/99	4.800	107.4300	0.46	–	–0.01	–0.10	+0.63
	12/02	4.800	116.8700	1.43	–0.01	–0.04	–0.13	–0.76
	09/05	3.000	107.5100	1.98	–	–0.02	–0.11	–0.87
	03/17	3.500	110.1400	2.82	–	–0.01	–0.07	–0.64
Netherlands	06/99	7.500	105.5200	4.08	–0.04	–0.01	–0.05	–0.47
	02/07	5.750	101.9600	5.47	–0.04	–0.06	–0.18	–0.53
New Zealand	02/00	6.500	98.5780	8.67	–0.03	–0.42	–0.65	–1.41
	11/06	8.000	109.5508	6.57	+0.03	–0.23	–0.60	–1.62
Norway	01/99	9.000	105.8700	4.36	–0.04	–0.05	–0.31	–1.37
	01/07	6.750	106.6000	5.81	–0.02	–0.02	–0.32	–1.23
Portugal	03/99	8.500	104.9378	4.93	–0.06	–0.18	–0.36	–2.24
	02/07	6.625	104.5677	5.97	–0.02	–0.12	–0.42	–2.11
Spain	07/99	7.400	104.5431	4.74	+0.03	–0.15	–0.45	–2.02
	03/07	7.350	110.4206	5.88	–0.04	–0.13	–0.47	–2.21
Sweden	01/99	11.000	107.6860	4.76	–0.03	–0.07	–0.15	–1.23
	08/07	8.000	112.6670	6.24	–0.02	–0.14	–0.35	–1.58
Switzerland	03/99	4.000	103.2500	1.70	–0.05	–0.03	+0.07	+0.05
	06/07	4.500	107.9000	3.52	–	–0.03	–0.02	–0.55
UK	08/99	6.000	98.5313	6.84	–0.03	+0.06	–0.18	+0.54
	11/04	6.750	100.5000	6.66	–0.04	–0.08	–0.44	–0.78
	12/07	7.250	104.7500	6.60	–0.05	–0.12	–0.52	–1.21
	06/21	8.000	117.5313	6.53	–0.04	–0.12	–0.51	–1.80
US	07/99	5.875	100.1170	5.80	–0.03	–	–0.16	–0.32
	05/04	7.250	106.5860	6.03	–0.04	–0.03	–0.34	–0.46
	08/07	6.125	100.5470	6.05	–0.04	–0.04	–0.34	–0.70
	08/27	6.375	100.5310	6.33	–0.05	–0.06	–0.34	–0.65
ECU	03/99	5.000	100.6900	4.48	–0.04	–0.01	–0.08	+0.11
	04/07	5.500	98.5600	5.69	–0.03	–0.06	–0.29	–0.76

London closing. New York mid day. Yields: Local market standard/Annualised yield basis. Source: Interactive Data/FT Information

10 YEAR BENCHMARK SPREADS

Sep 24	Bid Yield	Spread vs Bunds	Spread vs T-Bonds		Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	6.11	+0.60	–0.06	New Zealand	6.57	+1.06	+0.52
Austria	5.55	+0.04	–0.50	Norway	5.81	+0.30	–0.24
Belgium	5.59	+0.08	–0.46	Portugal	5.97	+0.46	–0.08
Canada	5.76	+0.25	–0.29	Spain	5.88	+0.37	+0.17
Denmark	6.06	+0.55	+0.01	Sweden	6.24	+0.73	+0.19
Finland	5.69	+0.18	–0.36	Switzerland	3.52	–1.99	–2.53
France	5.45	–0.06	–0.60	UK	6.60	+1.09	+0.55
Germany	5.51	–	–0.54	US	6.05	+0.54	–
Ireland	6.00	+0.49	–0.06	ECU	5.69	+0.18	–0.36
Italy	6.05	+0.54	–				
Japan	1.98	–3.53	–4.07				
Netherlands	5.47	–0.04	–0.58				

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Sep 24	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB–	98.3983	7.43	–0.03	–0.15	+1.45
Poland	07/00	7.750	BBB–	102.9303	6.55	+0.09	–0.15	+0.70
Russia	11/01	9.250	BB–	103.2661	8.27	–0.03	–0.35	+2.35
LATIN AMERICA								
Argentina	01/17	11.375	BB	116.2079	8.50	–0.05	–0.01	+3.31
Brazil	11/01	8.875	BB–	103.3442	7.88	–0.03	–0.01	+1.96
Mexico	01/07	9.875	BB	107.9556	8.61	–0.07	–0.38	+2.56
ASIA								
China	07/06	7.750	BBB+	104.6811	7.01	–0.03	+0.28	+0.97
Philippines	10/16	8.750	BB+	100.3645	8.71	–0.03	–0.07	+2.53
Thailand	04/07	7.750	A–	99.5999	7.80	–0.06	+0.72	+1.75
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB–	100.5588	7.66	+0.05	–0.18	+1.81
South Africa	12/99	9.625	BB+	105.6684	6.81	–0.02	–0.09	+1.03
Turkey	05/02	10.000	B	104.9024	8.69	–0.03	–0.07	+2.71
BRADY BONDS								
Argentina	03/23	5.500	BB	75.9864	8.22	–0.09	+1.83	+1.94
Brazil	04/24	5.250	BB–	73.3428	8.43	–	+1.70	+2.14
Mexico	12/18	6.250	BB	83.2786	7.85	–0.03	–0.50	+1.83
Venezuela	03/20	6.750	B+	88.3890	7.88	–0.03	–0.94	+1.63

London closing. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	99.60	99.94	+0.30	99.94	99.58	7,808	137,740
Mar	98.98	99.32	+0.30	99.28	98.98	1,360	4,330
Jun	98.64	98.98	+0.30	98.64	98.64	2	–

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Puts Oct	Puts Nov	Puts Dec
96	-	-	3.67	-	0.01	0.05
97	2.64	-	2.76	-	0.05	0.14
98	1.65	1.75	1.92	0.01	0.12	0.29
99	0.66	0.98	1.19	0.02	0.32	0.56
100	0.05	0.39	0.64	0.41	0.75	0.99

Est. vol. total, Calls 10,376 Puts 10,291. Previous day's open int., Calls 67,789 Puts 67,254.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	102.67	102.95	+0.27	103.09	102.58	196980	273718
Mar	101.88	102.14	+0.21	102.15	101.85	3289	2248

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
10250	0.77	0.97	0.74	1.06	0.32	0.52	1.10	1.42
10300	0.47	0.69	0.55	0.84	0.52	0.74	1.41	1.70
10350	0.26	0.46	0.39	0.66	0.81	1.01	1.75	2.02

Est. vol. total, Calls 16847 Puts 23341. Previous day's open int., Calls 108414 Puts 111195

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	104.13	104.31	+0.13	104.33	104.10	124,521	225,738
Mar	103.54	103.56	–0.08	103.56	103.54	246	1,472

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	111.88	112.25	–0.41	112.32	111.64	54751	118094
Mar		112.10	–0.36			0	980

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
11200	1.18	1.74	0.93	1.64
11250	0.91	1.50	1.16	1.90
11300	0.69	1.28	1.44	2.16

Est. vol. total, Calls 3402 Puts 1681. Previous day's open int., Calls 62554 Puts 62208

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	103.72	104.10	–0.35	104.14	103.63	89,903	78,270

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	118-06	118-13	+0-08	118-12	118-06	610	2574
Dec	117-21	117-30	+0-08	118-02	117-20	50624	173382

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
117	1-24	1-43	1-50	2-18	0-28	0-47	1-02	1-34
118	0-52	1-08	1-17	1-47	0-56	1-12	1-33	1-63
119	0-28	0-45	0-55	1-19	1-30	1-49	2-07	2-35

Est. vol. total, Calls 2294 Puts 1202. Previous day's open int., Calls 33753 Puts 20469

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	98.24	98.40	+0.14	98.40	98.18	1,596	5,976

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	115–18	115–17	–0–01	115–22	115–14	207,349	575,669
Mar	115–06	115–07	–0–01	115–11	115–05	927	36,290
Jun	–	114–29	–	–	–	4	2,109

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	127.98			128.08	127.87	3492	na
Mar	127.05			127.09	127.05	1748	na

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

US CORPORATE BONDS

Sep 23	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA–	103.5199	6.37	+0.02	–0.19	+0.36
NY Tel	08/25	7.00	A+	96.8755	7.28	+0.03	–0.30	+0.88
CWE	05/08	8.00	BBB	107.6847	6.96	+0.02	–0.23	+0.88
FINANCIALS								
GECC	05/07	8.75	AAA	115.4098	6.56	+0.02	–0.29	+0.48
Banc One	08/02	7.25	A+	103.2655	6.45	+0.03	–0.20	+0.44
US West	01/07	7.30	BBB+	103.0492	6.84	+0.02	–0.29	+0.78
INDUSTRIALS								
WMX Tech	04/99	6.25	A–	100.1438	6.14	+0.02	–0.03	+0.32
Wal Mart	05/02	6.75	AA	101.8980	6.31	+0.02	–0.21	+0.30
Dayton Hud	08/21	9.70	BBB+	126.8227	7.30	+0.03	–0.33	+0.92
AGENCIES								
FHLMC	04/07	7.14	N/A	105.4348	6.36	+0.02	–0.30	+0.26
SLMA	03/00	7.50	N/A	103.4845	5.96	+0.04	–0.18	+0.09
FNMA	02/16	8.95	N/A	124.0922	6.75	+0.02	–0.31	+0.37
FFCB	06/06	8.95	N/A	117.2818	6.39	+0.03	–0.30	+0.25
HIGH YIELD								
Stone Cont	02/01	9.88	B	102.2500	0.00	–	–	–
AK Stl	12/01	8.13	BB–	106.0000	0.00	–	–	–
Pacalta	06/04	10.75	B–	104.5000	0.00	–	–	–

New York closing. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Latest — Treasury Bills and Bond Yields

Prime rate	8½	One month	-	Two year	5.78
Broker loan rate	7¾	Two month	-	Three year	5.85
Fed.funds	5⅝	Three month	4.98	Five year	5.99
Fed.funds at intervention	-	Six month	5.19	10-year	6.06
		One year	5.45	30-year	6.34

BENCHMARK EUROBONDS

Sep 24	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
EURO DM								
EIB	02/07	5.750	AAA	101.2700	5.57	–	–0.18	+0.06
Spain	01/07	5.750	AA	101.0800	5.60	–0.04	–0.20	+0.09
Philip Morris	02/04	5.375	A	99.2600	5.51	–0.02	–0.15	+0.37
ABN Amro	09/05	3.625	n/a	98.8812	5.43	–0.03	–0.24	+0.14
EURO FFR								
Austria	01/04	8.800	AAA	102.2700	5.07	–0.03	–0.11	–0.02
Abbey Nat	02/04	6.000	AA	104.5700	5.14	–0.05	–0.13	+0.05
Cred Foncier	02/04	9.125	A	119.3800	5.44	–0.04	–0.15	+0.35
Abbey Nat	09/06	4.510	AA	101.7768	4.27	–0.03	–1.02	–1.06
EURO LIRA								
EIB	02/07	7.000	AAA	106.7000	6.04	–0.05	–0.52	–0.01
Abbey Nat	02/02	6.800	AA	104.4000	5.63	–	–0.57	+0.01
Walt Disney	08/00	8.625	A	107.2500	5.86	–0.05	–0.94	+0.36
Abbey Nat	03/07	8.000	AA	103.7622	6.96	–0.10	–0.81	+0.91
EURO £								
EIB	12/07	7.625	AAA	105.8136	6.85	–0.05	–0.52	+0.25
Dresdner Bk	12/07	7.750	AA	103.5468	7.24	–0.06	–0.50	+0.64
RBS	01/07	8.375	A+	106.2734	7.41	–0.05	–0.51	+0.81
Abbey Nat	02/02	7.400	AA	99.9723	6.72	–0.03	–0.79	+0.03
EURO $								
EIB	04/07	7.250	AAA	105.5991	6.44	–0.03	–0.34	+0.39
ABN Amro	08/07	7.125	AA–	102.9658	6.70	–0.04	–0.34	+0.65
Quebec	01/07	7.000	A+	102.1639	6.66	–0.03	–0.34	+0.63
Citicorp	02/04	5.781	A+	99.8981	5.80	–0.06	–0.09	–0.21
EURO C$								
Bayer L-Bk	08/04	9.500	AAA	120.2045	5.84	–	–0.28	+0.18
Toronto	05/04	8.500	AA+	114.2215	5.85	–	–0.28	+0.18
Bell Canada	07/99	10.625	A+	110.0798	4.62	–0.01	–0.43	–0.22
Deutsche Bk	09/02	6.875	AAA	102.0393	5.40	–	–0.12	–0.08
EURO YEN								
World Bank	03/02	6.250	AAA	117.4500	1.23	–0.02	–0.14	–0.01
Spain	03/02	6.750	AA	119.2015	1.31	–	–0.17	+0.07
Cred Foncier	08/02	4.750	A	113.8599	1.73	–	–0.05	+0.49
Italy	07/99	0.703	AA	100.8830	0.12	–	–0.01	–0.34

London closing. Standard & Poor's ratings. Yields: Local market standard/Annualised basis. Source: Interactive Data/FT Information

UK BONDS

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Wed Sep 24	Day's change %	Tue Sep 23	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	119.76	0.08	119.67	1.56	8.21
2 5-15 years (21)	157.17	0.19	156.87	6.14	8.01
3 Over 15 years (4)	190.23	0.26	189.74	7.16	7.99
4 Irredeemables (4)	254.83	–0.03	254.90	4.16	9.35
5 All stocks (48)	150.56	0.16	150.32	3.35	8.27
Index-linked					
6 Up to 5 years (2)	207.60	0.06	207.47	0.74	5.22
7 Over 5 years (10)	206.54	0.18	206.17	1.39	4.70
8 All stocks (12)	205.58	0.17	205.23	1.32	4.72

UK Indices

	Low coupon yield Sep 24	Sep 23	Yr. ago	Medium coupon yield Sep 24	Sep 23	Yr. ago	High coupon yield Sep 24	Sep 23	Yr. ago
5 yrs	6.67	6.70	7.24	6.76	6.80	7.29	6.83	6.84	7.35
15 yrs	6.61	6.64	8.03	6.63	6.66	8.04	6.72	6.72	8.03
20 yrs	6.61	6.64	8.13	6.60	6.63	8.14	6.71	6.71	8.12
Irred.†	6.71	6.70	8.15						

Index-linked	Inflation 5% Sep 24	Sep 23	Yr. ago	Inflation 10% Sep 24	Sep 23	Yr. ago
Up to 5 yrs	3.48	3.47	2.86	2.75	2.75	2.19
Over 5 yrs	3.36	3.37	3.58	3.15	3.16	3.38

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Sep 24	Sep 23	Sep 22	Sep 19	Sep 18	Yr ago	High*	Low*
Govt. Secs. (UK)	99.64	99.52	99.65	99.35	99.69	93.28	99.69	93.31
Fixed Interest	130.26	130.15	130.33	128.96	128.82	113.26	130.33	115.32

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UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts (Lives up to Five Years)						
Treas 8¾pc 1997‡‡	8.75	-	100	—	102½	100
Exch 15pc 1997	14.90	7.15	100[illegible]	-[illegible]	109[illegible]	100[illegible]
Treas 7pc 1998‡‡	4.00	6.69	115½	—	115[illegible]	113[illegible]
Exch 9¾pc 1998	9.67	6.95	100[illegible]	—	104[illegible]	100[illegible]
Treas 7¼pc 1998‡‡	7.24	7.06	100[illegible]xd	—	100[illegible]	100[illegible]
Treas 15½pc '98‡‡	14.33	7.03	108[illegible]xd	—	117[illegible]	108[illegible]
Exch 12pc 1998	11.39	7.03	105[illegible]	—	111[illegible]	105[illegible]
Treas 9½pc 1999‡‡	9.22	6.99	103[illegible]	-[illegible]	105[illegible]	97[illegible]
Treas Fltg Rate 1999‡‡	-	-	100[illegible]	—	100[illegible]	99[illegible]
Exch 12¼pc 1999	11.41	6.99	107[illegible]xd	—	115[illegible]	107[illegible]
Treas 10½pc 1999	9.86	6.97	105[illegible]	—	110[illegible]	105[illegible]
Treas 6pc 1999‡‡	6.05	6.84	98[illegible]	+[illegible]	99[illegible]	95[illegible]
Conv 10¼pc 1999	9.63	6.97	106[illegible]	—	110[illegible]	106[illegible]
Treas 8½pc 2000	8.23	6.93	103[illegible]	+[illegible]	104[illegible]	102[illegible]
Conv 9pc 2000‡‡	8.60	6.88	104[illegible]	+[illegible]	107[illegible]	103[illegible]
Treas 13pc 2000	11.28	6.90	115[illegible]	+[illegible]	120[illegible]	114[illegible]
Treas 14pc 1998-1	13.42	7.05	104[illegible]	-[illegible]	111[illegible]	104[illegible]
Treas 8pc 2000‡‡	7.74	6.86	103[illegible]	+[illegible]	104[illegible]	102
Treas Fltg Rate 2001	-	-	100[illegible]	—	100[illegible]	99[illegible]
Treas 10pc 2001	9.14	6.94	109[illegible]	+[illegible]	112[illegible]	98[illegible]
Conv 9¾pc 2001‡‡	8.75	6.98	108[illegible]	+[illegible]	109[illegible]	107[illegible]
Conv 9¾pc 2001	8.90	6.90	109[illegible]	+[illegible]	110[illegible]	109[illegible]
Treas 7pc 2001‡‡	6.94	6.90	100[illegible]	+[illegible]	101[illegible]	98[illegible]
Exch 12pc 1999-2	11.31	7.06	106[illegible]	—	109[illegible]	106[illegible]
Conv 10pc 2002	8.90	6.78	112[illegible]	+[illegible]	112[illegible]	109[illegible]
Treas 7pc 2002‡‡	6.92	6.69	101[illegible]	+[illegible]	101[illegible]	97[illegible]
Five to Fifteen Years						
Conv 9¾pc 2002	8.56	6.80	110[illegible]	+[illegible]	110[illegible]	106[illegible]
Treas 9¾pc 2002	8.69	6.79	112[illegible]	+[illegible]	112[illegible]	109[illegible]
Exch 9pc 2002	8.24	6.83	109[illegible]	+[illegible]	109[illegible]	106[illegible]
Conv 9¾pc 2003‡‡	8.60	6.84	113[illegible]	+[illegible]	113[illegible]	110[illegible]
Treas 8pc 2003‡‡	7.55	6.72	105[illegible]	+[illegible]	105[illegible]	102[illegible]
Treas 13¾pc 2000-3	11.72	6.92	117[illegible]	+[illegible]	119[illegible]	116[illegible]
Treas 10pc 2003	8.65	6.77	115[illegible]	+[illegible]	116[illegible]	111[illegible]
Treas 11½pc 2001-4	10.08	6.86	114[illegible]	+[illegible]	121[illegible]	113[illegible]
Treas 10pc 2004	8.57	6.82	116[illegible]	+[illegible]	116[illegible]	113

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Funding 3½pc 1999-4	3.95	5.54	88[illegible]	+[illegible]	88[illegible]	82[illegible]
Conv 9½pc 2004	8.23	6.71	115½	+[illegible]	115[illegible]	109[illegible]
Treas 6¾pc 2004‡‡	6.72	6.66	100[illegible]	+[illegible]	100[illegible]	94[illegible]
Conv 9½pc 2005	8.17	6.69	116[illegible]	+[illegible]	122[illegible]	110[illegible]
Exch 10½pc 2005	8.55	6.77	122[illegible]	+[illegible]	122[illegible]	117[illegible]
Treas 12½pc 2003-5	9.75	6.78	128[illegible]	+[illegible]	129[illegible]	124[illegible]
Treas 8½pc 2005‡‡	7.64	6.67	111[illegible]	+[illegible]	111[illegible]	104[illegible]
Conv 9¾pc 2006	8.06	6.69	120[illegible]	+[illegible]	120[illegible]	113[illegible]
Treas 7¾pc 2006‡‡	7.09	6.65	105[illegible]	+[illegible]	105[illegible]	99[illegible]
Treas 7¾pc 2006‡‡	7.24	6.55	107	+[illegible]	107[illegible]	99[illegible]
Treas 8pc 2002-6‡‡	7.65	6.69	104[illegible]	+[illegible]	104[illegible]	100[illegible]
Treas 11¾pc 2003-7	9.68	6.80	121[illegible]	+[illegible]	123[illegible]	115[illegible]
Treas 8½pc 2007‡‡	7.53	6.66	112[illegible]	+[illegible]	112[illegible]	105[illegible]
Treas 7¼pc 2007‡‡	6.93	6.61	104[illegible]	+[illegible]	104[illegible]	98[illegible]
Treas 13½pc 2004-8	10.06	6.89	134[illegible]xd	+[illegible]	134[illegible]	131[illegible]
Treas 9pc 2008‡‡	7.62	6.65	118[illegible]	+[illegible]	118[illegible]	103[illegible]
Treas 8pc 2009	7.21	6.66	110[illegible]xd	+[illegible]	110[illegible]	100[illegible]
Treas 6¼pc 2010‡‡	6.49	6.55	95[illegible]	+[illegible]	95[illegible]	84[illegible]
Conv 9pc Ln 2011‡‡	7.45	6.67	120[illegible]	+[illegible]	120[illegible]	108[illegible]
Treas 9pc 2012‡‡	7.39	6.67	121[illegible]	+[illegible]	121[illegible]	109[illegible]
Treas 5½pc 2008-12‡‡	6.06	6.47	90[illegible]	+[illegible]	90[illegible]	78[illegible]
Treas 7¾pc 2012-15‡‡	7.06	6.68	109[illegible]	+[illegible]	109[illegible]	97[illegible]
Over Fifteen Years						
Treas 8pc 2013‡‡	7.07	6.65	113[illegible]xd	+[illegible]	113[illegible]	99[illegible]
Treas 8pc 2015‡‡	6.98	6.58	114[illegible]	+[illegible]	114[illegible]	106
Treas 8¾pc 2017‡‡	7.16	6.62	123[illegible]	+[illegible]	123[illegible]	103[illegible]
Exch 12pc 2013-17	7.95	6.76	151	+[illegible]	151	136[illegible]
Treas 8pc 2021‡‡	6.82	6.54	117[illegible]	+[illegible]	117[illegible]	98[illegible]
Undated						
Consols 4pc	6.91	-	57[illegible]	+[illegible]	58[illegible]	48[illegible]
War Loan 3½pc‡‡	6.68	-	52[illegible]	+[illegible]	52[illegible]	43[illegible]
Conv 3½pc '61 Aft.	5.07	-	69[illegible]xd	+[illegible]	69[illegible]	60[illegible]
Treas 3pc '66 Aft.	7.07	-	42[illegible]	+[illegible]	42[illegible]	36[illegible]
Consols 2½pc	6.66	-	37[illegible]	+[illegible]	37[illegible]	31[illegible]
Treas. 2½pc	6.79	-	36[illegible]xd	+[illegible]	36[illegible]	30[illegible]

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or –	52 week High	52 week Low
2½pc '99	(b)	1.69	2.86	185[illegible]	+[illegible]	185[illegible]	179[illegible]
2½pc '01	(78.3)	2.74	3.46	189[illegible]xd	+[illegible]	189[illegible]	183[illegible]
2½pc '03	(78.8)	2.93	3.43	186[illegible]	+[illegible]	186[illegible]	178[illegible]
4⅜pc '04‡‡	(135.6)	2.97	3.41	120[illegible]	+[illegible]	120[illegible]	117[illegible]
2pc '06	(69.5)	3.05	3.39	196½	+[illegible]	196½	188[illegible]
2½pc '09	(78.8)	3.07	3.34	179[illegible]	+[illegible]	179[illegible]	169[illegible]
2½pc '11	(74.6)	3.11	3.34	187[illegible]	+[illegible]	187[illegible]	174[illegible]
2½pc '13	(89.2)	3.13	3.34	154[illegible]	+[illegible]	154[illegible]	143[illegible]
2½pc '16	(81.6)	3.15	3.34	166[illegible]	+[illegible]	166[illegible]	152[illegible]
2½pc '20	(83.0)	3.20	3.36	160[illegible]	+[illegible]	160[illegible]	146[illegible]
2½pc '24‡‡	(97.7)	3.21	3.35	133[illegible]	+[illegible]	133[illegible]	121[illegible]
4⅛pc '30‡‡	(135.1)	3.21	3.35	131[illegible]	+[illegible]	131[illegible]	119[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for January 1997: 154.4 and for August 1997: 158.5.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Asian Dev 10¼pc 2009	8.17	6.99	125[illegible]	—	125[illegible]	116[illegible]
B'ham 11½pc 2012	8.36	7.45	137½	—	137½	123½
Leeds 13½pc 2006	9.61	-	140[illegible]	—	141½	132[illegible]
Liverpool 3½pc Irred.	7.29	-	48xd	—	48	37½
LCC 3pc '20 Aft.	7.32	-	41	—	41	33
Manchester 11½pc 2007	8.88	7.40	129½	—	129½	120[illegible]
Met. Wtr. 3pc 'B'	3.57	6.10	84	—	84	78
N'wide Anglia 3⅞pc 2021	-	3.73	151[illegible]	—	151[illegible]	140[illegible]
4⅛pc IL 2024	-	4.15	147	—	147	135[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices. ⚘ Indicative price.

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1

CURRENCIES AND MONEY

Tietmeyer and Mr Yen halt dollar

MARKETS REPORT

By Simon Kuper

The D-Mark and yen rose against the dollar yesterday after two of the strongest voices in the foreign exchange market spoke out for their currencies.

Hans Tietmeyer, Bundesbank president, told the *Flensburger Tageblatt*, a small German local newspaper, that Germany would do all it could to ensure that the D-Mark did not fall against other major currencies. "A depreciating D-Mark is not right for us," he said. The currency jumped 2.3 pfennigs against the D-Mark to close in London at DM1.772. The Bank of France was said to have bought dollars at DM1.7715.

Eisuke Sakakibara, Japan's vice minister for international affairs who is known to traders as Mr Yen, said this weekend's Group of Seven communiqué on currencies was "clearly a strong message on exchange rates, especially the dollar/yen rate". This remark was taken to mean that the communiqué had called for a halt to the yen's slide. The currency jumped Y3 after he spoke, but later softened somewhat to close in London at Y120.0 to the dollar, Y1.5 above Tuesday's close.

Currency strategists said that both Mr Tietmeyer and Mr Sakakibara were reacting to the rise in the dollar that had followed the weekend's G7 meeting in Hong Kong. They said the comments showed that Japan and Germany wanted to keep the dollar within tight ranges of about Y115-Y120 to the yen and DM1.75-DM1.80 to the D-Mark.

■ Pound in New York

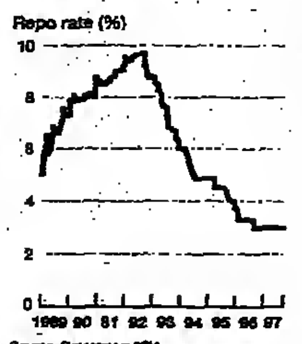
Sep 24	—Latest—	— Prev. close —
£ spot	1.6115	1.6135
1 mth	1.6086	1.6115
3 mth	1.6053	1.6073
1 yr	1.5885	1.5905

Franz-Christoph Zeitler, a Bundesbank council member, further supported the D-Mark when he said he expected the foreign exchange market to take increasing note of improving German economic fundamentals. He also said that yesterday's tame west German consumer price data for September gave no "all clear" signal on inflation. Belief has gathered in recent weeks that the German economy is recovering and that prices are starting to rise. Paul Lambert, senior currency strategist at UBS in London, pointed to strong gross domestic product data emerging from Finland, Ireland and Spain. He said: "Even French consumer spending has got stronger. Europe is recovering."

Sterling fell with the dollar, dropping 3.8 pfennigs against the D-Mark to DM2.857 and closing barely changed against the US currency at $1.613.

Germany

Repo rate (%)



Source: Datastream/ICV

■ There are some similarities between events this week and those that followed the G7 meeting in April – but only some. Then, as now, the G7 made a statement calling for the dollar's rise to stop. Then it stood at about Y126 to the yen; this weekend, it was at about Y122.

Then, as now, the market initially ignored the statement and sent the dollar higher. But then, as now, various officials said that the statement was a strong one. Then, as now, concern about Japan's growing trade surplus was a key issue.

In April the comments struck the dollar, which fell Y12 in a fortnight. Now, however, most currency strategists believe that a sharp dollar fall is unlikely. Paul Meggyesi, senior currency economist at Deutsche Morgan Grenfell in London, points out that in April Tokyo officials could credibly threaten traders with a Japanese interest rate rise. Now Japan's economy seems mired and few expect a rate increase before New Year.

■ OTHER CURRENCIES

Sep 24	£	$
Czech	53.2868 - 53.3577	33.5140 - 33.0800
Hungary	314.550 - 314.825	195.120 - 195.180
Iran	4839.00 - 4835.00	3000.00 - 3000.00
Kuwait	0.4905 - 0.4912	0.3043 - 0.3045
Poland	5.5050 - 5.5140	3.4150 - 3.4185
Russia	9460.02 - 9462.50	5869.50 - 5869.50
U.A.E.	5.9294 - 5.9244	3.6727 - 3.6729

■ The dollar, D-Mark and yen continue to move sharply on a day-to-day basis, but they remain within defined ranges. The strong US economy is buoying the dollar, but Japanese and German officials are stopping the currency from soaring. Margaret Thatcher may have said that you cannot buck the markets, but when it comes to the dollar, yen and D-Mark, the markets rarely buck governments. Mr Lambert says the market would require a strong trigger to break the established ranges. He says that moves are so sharp at present because investors have no clear view of the future direction of the main currencies. "People don't have confident positions at the moment," he says. So when an exchange rate move goes against them, they quickly cut their positions, exacerbating the move. A rate rise somewhere might change the picture.

WORLD INTEREST RATES

MONEY RATES

September 24	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3$\frac{5}{16}$	3$\frac{11}{32}$	3$\frac{15}{32}$	3⅝	6.00	2.50	-
France	3$\frac{5}{16}$	3$\frac{11}{32}$	3⅜	3$\frac{15}{32}$	3$\frac{19}{32}$	3.10	-	4.75
Germany	3	3$\frac{1}{16}$	3$\frac{5}{32}$	3$\frac{9}{32}$	3$\frac{17}{32}$	4.50	2.50	3.00
Ireland	6¼	6$\frac{5}{16}$	6¼	5⅞	5¾	-	-	6.75
Italy	6$\frac{23}{32}$	6$\frac{15}{32}$	6½	6$\frac{7}{16}$	6$\frac{11}{32}$	7.75	6.25	6.02
Netherlands	3$\frac{11}{32}$	3¼	3⅜	3$\frac{9}{16}$	3¾	-	2.50	3.00
Switzerland	1½	1$\frac{5}{16}$	1$\frac{7}{16}$	1$\frac{17}{32}$	1$\frac{11}{16}$	-	1.00	-
US	5$\frac{7}{16}$	5$\frac{21}{32}$	5⅝	5$\frac{23}{32}$	5⅞	-	5.00	-
Japan	½	½	$\frac{9}{16}$	½	$\frac{17}{32}$	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5$\frac{21}{32}$	5$\frac{23}{32}$	5$\frac{27}{32}$	5$\frac{31}{32}$	-	-	-
US Dollar CDs	-	5.41	6.47	5.54	5.68	-	-	-
ECU Linked Ds	-	4$\frac{3}{16}$	4$\frac{5}{16}$	4⅜	4$\frac{15}{32}$	-	-	-
SDR Linked Ds	-	3$\frac{5}{16}$	3$\frac{13}{32}$	3½	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 24	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3½ - 3$\frac{3}{16}$	3$\frac{13}{32}$ - 3$\frac{9}{32}$	3⅝ - 3½	3⅝ - 3½	3$\frac{23}{32}$ - 3$\frac{21}{32}$	3$\frac{17}{32}$ - 3$\frac{13}{16}$
Danish Krone	3½ - 3$\frac{3}{16}$	3$\frac{9}{16}$ - 3½	3$\frac{13}{32}$ - 3$\frac{7}{16}$	3$\frac{11}{16}$ - 3$\frac{11}{32}$	3⅞ - 3$\frac{23}{32}$	4$\frac{1}{32}$ - 4$\frac{5}{32}$
German Mark	3⅛ - 3$\frac{1}{32}$	3$\frac{5}{16}$ - 3⅛	3$\frac{7}{32}$ - 3⅛	3$\frac{11}{32}$ - 3$\frac{7}{32}$	3$\frac{15}{32}$ - 3$\frac{3}{16}$	3$\frac{23}{32}$ - 3$\frac{7}{16}$
Dutch Guilder	2¾ - 2½	3$\frac{5}{32}$ - 3$\frac{1}{16}$	3$\frac{5}{16}$ - 3$\frac{3}{16}$	3$\frac{7}{16}$ - 3$\frac{5}{16}$	3$\frac{19}{32}$ - 3$\frac{7}{16}$	3$\frac{13}{16}$ - 3$\frac{11}{16}$
French Franc	3¼ - 3$\frac{3}{16}$	3$\frac{5}{16}$ - 3$\frac{3}{16}$	3$\frac{3}{16}$ - 3$\frac{7}{32}$	3⅝ - 3$\frac{1}{32}$	3$\frac{19}{32}$ - 3⅛	3¾ - 3⅝
Portuguese Esc.	5$\frac{7}{16}$ - 5$\frac{11}{32}$	5$\frac{7}{16}$ - 5⅜	5⅜ - 5$\frac{11}{32}$	5$\frac{3}{16}$ - 5$\frac{3}{32}$	5$\frac{1}{32}$ - 4$\frac{31}{32}$	4$\frac{13}{16}$ - 4⅞
Spanish Peseta	5⅜ - 5¼	5⅜ - 5¼	5$\frac{5}{32}$ - 5$\frac{3}{32}$	5$\frac{5}{32}$ - 5$\frac{1}{16}$	5$\frac{1}{16}$ - 4$\frac{29}{32}$	4$\frac{13}{16}$ - 4$\frac{11}{16}$
Sterling	7⅛ - 6⅞	7⅛ - 7	7$\frac{3}{16}$ - 7$\frac{1}{16}$	7$\frac{5}{16}$ - 7$\frac{3}{16}$	7½ - 7⅜	7$\frac{17}{32}$ - 7$\frac{13}{32}$
Swiss Franc	1¾ - 1¼	1$\frac{11}{16}$ - 1$\frac{9}{16}$	1$\frac{13}{32}$ - 1$\frac{3}{16}$	1$\frac{15}{32}$ - 1$\frac{11}{32}$	1$\frac{21}{32}$ - 1$\frac{17}{32}$	1$\frac{25}{32}$ - 1$\frac{21}{32}$
Canadian Dollar	3$\frac{1}{16}$ - 3	3⅜ - 3¼	3$\frac{15}{32}$ - 3$\frac{11}{32}$	3$\frac{21}{32}$ - 3$\frac{17}{32}$	3$\frac{29}{32}$ - 3$\frac{25}{32}$	4$\frac{13}{32}$ - 4$\frac{9}{32}$
US Dollar	5⅝ - 5½	5$\frac{9}{16}$ - 5$\frac{7}{16}$	5⅝ - 6$\frac{1}{16}$	5$\frac{23}{32}$ - 5$\frac{19}{32}$	5¾ - 5$\frac{11}{16}$	5$\frac{31}{32}$ - 5$\frac{27}{32}$
Italian Lira	7 - 6½	6$\frac{23}{32}$ - 6$\frac{9}{16}$	6½ - 6$\frac{13}{32}$	6$\frac{11}{32}$ - 6¼	6$\frac{5}{16}$ - 6$\frac{3}{16}$	5$\frac{15}{16}$ - 5$\frac{13}{16}$
Japanese Yen	$\frac{17}{32}$ - ½	¾ - ⅝	$\frac{17}{32}$ - $\frac{13}{32}$	$\frac{17}{32}$ - $\frac{13}{32}$	$\frac{17}{32}$ - $\frac{7}{16}$	$\frac{19}{32}$ - $\frac{15}{32}$
Asian $Sing	2¼ - 2⅛	3½ - 3⅜	3$\frac{15}{32}$ - 3$\frac{11}{32}$	4 - 3⅞	4⅛ - 4	4$\frac{3}{16}$ - 4$\frac{1}{16}$

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.42	96.44	+0.04	96.44	96.41	14,740	35,257
Mar	96.19	96.22	+0.05	96.23	96.18	19,433	34,112
Jun	95.87	96.01	+0.06	96.02	95.97	9,452	27,228

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.44	96.47	+0.03	96.49	96.44	45873	289479
Mar	96.22	96.25	+0.04	96.28	96.22	55645	291410
Jun	95.98	96.03	+0.05	96.05	95.98	63467	245879
Sep	95.79	95.83	-0.04	95.87	95.79	21946	175096

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Oct		96.75	-			0	265
Nov		96.67	+0.01			0	60
Dec		96.46	+0.03			0	730
Jan		96.55	+0.03			0	50

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.02	94.05	-0.02	94.07	93.98	17750	98882
Mar	94.68	94.75	+0.03	94.77	94.65	30123	89807
Jun	95.05	95.12	+0.06	95.16	95.01	18642	73202
Sep	95.09	95.18	+0.07	95.22	95.07	7766	51769

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.25	98.26	-0.02	98.29	98.24	9401	73683
Mar	98.05	98.06	+0.02	98.09	98.02	5768	37920
Jun	97.81	97.81	+0.02	97.84	97.77	7223	20434
Sep	97.60	97.61	+0.01	97.65	97.60	947	11357

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		99.42	-0.01			0	na
Mar		99.40	-			0	na
Jun	99.35	99.35	+0.01	99.35	99.35	800	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.59	95.59	+0.03	95.60	95.58	813	12008
Mar	95.52	95.55	+0.05	95.56	95.52	502	6315
Jun	95.45	95.48	-0.05	95.48	95.45	180	3872
Sep	95.42	95.44	+0.06	95.43	95.42	76	4387

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9400	0.17	0.80	1.15	0.12	0.05	0.04
9425	0.07	0.59	0.95	0.27	0.09	0.08
9450	0.02	0.41	0.74	0.47	0.16	0.12

Est. vol. total, Calls 7557 Puts 4413. Previous day's open int., Calls 148102 Puts 57788

POUND SPOT FORWARD AGAINST THE POUND

Sep 24		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. index
Europe													
Austria	(Sch)	20.1052	-0.2651	950 - 154	20.3780	20.0923	20.0508	3.2	19.9381	3.3	19.4326	3.3	102.3
Belgium	(BFr)	58.9772	-0.7726	508 - 035	59.8760	58.8250	58.7972	3.2	58.4272	3.7	56.6772	3.8	102.6
Denmark	(DKr)	10.8766	-0.1441	718 - 818	11.0185	10.8702	10.8453	3.5	10.7815	3.5	10.4886	3.6	104.0
Finland	(FM)	8.5296	-0.1062	202 - 366	8.6330	8.5202	8.5031	3.6	8.4508	3.7	8.238	3.4	81.5
France	(FFr)	9.5696	-0.1275	958 - 033	9.7235	9.5933	9.5695	4.1	9.5086	3.8	9.2341	3.8	105.0
Germany	(DM)	2.8569	-0.0377	555 - 582	2.8950	2.8535	2.8476	3.9	2.8285	4.0	2.7416	4.0	103.0
Greece	(Dr)	451.282	-5.565	054 - 511	456.890	451.054	453.066	-4.7	455.889	-3.9	464.057	-2.8	65.0
Ireland	(I£)	1.0943	-0.0081	932 - 953	1.1041	1.0918	1.0938	0.5	1.0924	0.7	1.0816	1.2	96.6
Italy	(L)	2788.74	-34.71	666 - 081	2823.41	2786.51	2788.32	0.0	2789.76	0.0	2788.15	0.1	76.3
Luxembourg	(LFr)	58.9772	-0.7726	508 - 035	59.8760	58.8250	58.7972	3.2	58.4272	3.7	56.6772	3.8	102.6
Netherlands	(Fl)	3.2169	-0.0427	153 - 184	3.2586	3.2151	3.2097	3.8	3.1858	3.9	3.0898	4.0	101.4
Norway	(NKr)	11.5923	-0.1138	871 - 975	11.7321	11.5821	11.5685	3.4	11.4885	3.2	11.2298	3.1	98.8
Portugal	(Es)	290.508	-3.893	337 - 679	294.089	290.337	290.352	0.6	289.822	0.8	286.734	1.8	92.1
Spain	(Pta)	241.105	-3.115	994 - 224	244.100	240.840	240.794	1.8	240.044	1.8	235.874	2.3	77.0
Sweden	(SKr)	12.1865	-0.121	779 - 952	12.3260	12.1721	12.1581	2.7	12.1006	2.8	11.8441	2.8	87.5
Switzerland	(SFr)	2.3400	-0.0271	474 - 505	2.3728	2.3474	2.3381	5.6	2.3155	5.7	2.2153	5.7	108.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	100.3
Ecu	-	1.4564	-0.0176	554 - 574	1.4734	1.4554	1.4531	2.7	1.4459	2.9	1.4119	3.1	-
SDR†	-	1.183710	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6122	+0.0002	117 - 127	1.6175	1.6107	-	-	-	-	-	-	-
Brazil	(R$)	1.7659	+0.0006	651 - 666	1.7708	1.7637	-	-	-	-	-	-	-
Canada	(C$)	2.2368	-0.0002	378 - 400	2.2487	2.2288	2.2321	3.7	2.2184	3.7	2.1675	3.2	84.5
Mexico	(New Peso)	12.6259	+0.0095	098 - 458	12.6818	12.5653	-	-	-	-	-	-	-
USA	($)	1.6125	-0.0002	120 - 130	1.6178	1.6110	1.6105	1.5	1.6063	1.5	1.5902	1.4	105.1
Pacific/Middle East/Africa													
Australia	(A$)	2.2370	-0.0018	355 - 384	2.2476	2.2326	2.2334	2.0	2.225	2.2	2.1891	2.2	90.8
Hong Kong	(HK$)	12.4796	-0.0025	749 - 843	12.5227	12.4683	12.4788	0.1	12.4721	0.2	12.4171	0.5	-
India	(Rs)	58.4129	-0.1279	544 - 713	58.7050	58.2544	58.6061	-4.0	59.0087	-4.1	60.6684	-3.9	-
Israel	(Shk)	5.6424	-0.0143	377 - 471	5.6621	5.6327	-	-	-	-	-	-	-
Japan	(Y)	193.418	-2.469	279 - 560	197.610	192.550	192.399	6.3	190.374	6.3	181.389	6.2	128.1
Malaysia	(M$)	4.9061	-0.004	005 - 118	4.9468	4.8710	4.9104	-1.0	4.9184	-1.0	4.937	-0.6	-
New Zealand	(NZ$)	2.5245	-0.0093	227 - 262	2.5361	2.5227	2.5277	-1.5	2.5315	-1.0	2.5321	-0.3	107.7
Philippines	(Peso)	53.7770	-0.3947	184 - 355	54.4518	53.5184	53.9368	-3.6	54.1863	-3.0	55.3433	-2.7	-
Saudi Arabia	(SR)	6.0479	+0.0011	458 - 499	6.0676	6.0424	6.0444	0.7	6.036	0.8	5.9995	0.8	-
Singapore	(S$)	2.4389	-0.0008	373 - 405	2.4479	2.4328	2.4343	2.3	2.4242	2.4	2.376	2.6	-
South Africa	(R)	7.5635	-0.0101	587 - 682	7.5972	7.5587	7.6242	-9.6	7.7421	-9.4	8.1781	-8.1	-
South Korea	(Won)	1474.55	+0.87	401 - 509	1479.32	1471.87	-	-	-	-	-	-	-
Taiwan	(T$)	46.1199	+0.0071	048 - 350	46.2707	46.0778	46.1033	0.4	46.0635	0.5	45.8858	0.6	-
Thailand	(Bt)	58.4532	-1.039	705 - 358	58.5358	56.6510	58.7898	-6.9	59.2514	-5.5	60.2818	-3.1	-

† Rates for Sep 23. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 24		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.4684	-0.1863	659 - 708	12.6354	12.4560	12.4444	2.3	12.3954	2.3	12.1714	2.4	101.9
Belgium	(BFr)	36.5760	-0.485	700 - 800	37.0520	36.5150	36.5	2.5	36.3495	2.5	35.655	2.5	101.8
Denmark	(DKr)	6.7453	-0.0904	443 - 463	6.8329	6.7373	6.7334	2.1	6.7093	2.1	6.6029	2.1	103.1
Finland	(FM)	5.2896	-0.0687	855 - 925	5.3518	5.2819	5.2774	2.5	5.2538	2.7	5.16	2.4	80.7
France	(FFr)	5.9352	-0.0801	327 - 337	6.0281	5.9457	5.9417	2.4	5.9178	2.4	5.829	2.4	104.2
Germany	(DM)	1.7717	-0.0237	714 - 720	1.7954	1.7695	1.7679	2.5	1.7601	2.6	1.7251	2.6	102.3
Greece	(Dr)	279.865	-3.495	810 - 920	283.400	279.550	281.16	-5.6	283.215	-4.8	290.385	-3.8	64.7
Ireland	(I£)	1.4736	-0.0111	726 - 746	1.4766	1.4803	1.4728	0.6	1.4719	0.5	1.4723	0.1	-
Italy	(L)	1729.45	-21.8	870 - 020	1751.20	1726.70	1731.32	-1.2	1734.25	-1.1	1737.65	-0.5	75.9
Luxembourg	(LFr)	36.5760	-0.485	700 - 800	37.0520	36.5150	36.5	2.5	36.3485	2.5	35.655	2.5	101.8
Netherlands	(Fl)	1.9950	-0.0268	946 - 953	2.0215	1.9925	1.9908	2.5	1.9823	2.6	1.9445	2.5	101.1
Norway	(NKr)	7.1890	-0.0718	850 - 930	7.2762	7.1700	7.1745	2.4	7.1601	2.2	7.0341	2.2	98.7
Portugal	(Es)	180.160	-2.3	110 - 210	182.200	179.370	180.124	0.2	180.07	0.2	178.9	0.7	92.4
Spain	(Pta)	149.525	-1.955	500 - 550	151.200	149.370	149.49	0.4	149.305	0.6	146.13	0.8	78.5
Sweden	(SKr)	7.5576	-0.0762	545 - 606	7.6264	7.5439	7.5485	1.4	7.5292	1.5	7.4552	1.4	87.2
Switzerland	(SFr)	1.4567	-0.0171	562 - 572	1.4713	1.4560	1.4514	4.4	1.4407	4.4	1.3832	4.2	106.0
UK	(£)	1.6125	-0.0002	120 - 130	1.6178	1.6110	1.6105	1.5	1.6063	1.5	1.5902	1.4	101.0
Ecu	-	1.1072	-0.0134	068 - 076	1.1089	1.0951	1.1085	-1.5	1.1119	-1.7	1.1274	-1.8	-
SDR†	-	0.73681	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 998	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0951	+0.0002	950 - 952	1.0950	1.0950	-	-	-	-	-	-	-
Canada	(C$)	1.3865	-0.0003	862 - 867	1.3905	1.3873	1.3854	2.7	1.3797	2.5	1.3591	2.1	84.5
Mexico	(New Peso)	7.8300	-0.0005	200 - 400	7.8400	7.8200	7.8385	-16.6	8.1495	-16.3	9.05	-15.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	106.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3873	-0.0013	868 - 877	1.3877	1.3868	1.3867	0.5	1.3849	0.7	1.3765	0.8	82.7
Hong Kong	(HK$)	7.7393	-0.0027	388 - 398	7.7440	7.7388	7.7396	-0.1	7.7407	-0.1	7.743	0.0	-
India	(Rs)	36.2250	-0.085	000 - 500	36.3050	36.2000	36.3625	-4.8	36.6475	-4.7	37.86	-4.5	-
Israel	(Shk)	3.4992	-0.0094	942 - 041	3.5074	3.4942	-	-	-	-	-	-	-
Japan	(Y)	119.950	-1.55	900 - 000	122.450	118.350	119.435	5.2	118.435	5.1	114.135	4.8	128.1
Malaysia	(M$)	3.0425	-0.003	400 - 450	3.0620	3.0300	3.047	-1.8	3.056	-1.8	3.088	-1.4	-
New Zealand	(NZ$)	1.5655	-0.0054	649 - 662	1.5665	1.5649	1.5664	-0.8	1.5688	-0.8	1.5769	-0.8	-
Philippines	(Peso)	33.3500	-0.25	000 - 000	33.5000	33.2000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	505 - 507	3.7507	3.7505	3.7513	-0.2	3.7523	-0.2	3.7569	-0.2	-
Singapore	(S$)	1.5125	-0.0007	120 - 130	1.5142	1.5080	1.5108	1.4	1.507	1.5	1.4875	1.7	-
South Africa	(R)	4.6905	-0.007	890 - 920	4.6995	4.6890	4.731	-10.4	4.8105	-10.2	5.113	-9.0	-
South Korea	(Won)	914.450	+0.4	400 - 500	914.500	912.000	-	-	-	-	-	-	-
Taiwan	(T$)	28.6015	-	010 - 020	28.6020	28.6010	28.5125	-0.5	28.8215	-0.3	28.714	-0.4	-
Thailand	(Bt)	36.2500	-0.65	100 - 900	36.6000	35.0520	36.885	-14.7	37.4	-12.7	38.63	-6.6	-

† SDR rate per $ for Sep 23. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 23: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 24		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.44	16.28	4.844	1.855	4729	5.455	19.66	492.8	408.8	20.66	3.983	1.696	3.796	2.734	328.0	2.469
Denmark	(DKr)	54.22	10	8.826	2.627	1.006	2564	2.958	10.66	267.1	221.7	11.20	2.160	0.918	2.058	1.483	177.8	1.339
France	(FFr)	61.44	11.33	10	2.976	1.140	2905	3.351	12.08	302.6	251.2	12.70	2.447	1.042	2.332	1.680	201.5	1.517
Germany	(DM)	20.64	3.807	3.360	1	0.383	976.2	1.126	4.058	101.7	84.40	4.268	0.822	0.350	0.784	0.564	67.70	0.510
Ireland	(I£)	53.90	9.940	8.773	2.611	1	2549	2.940	10.59	265.5	220.3	11.14	2.147	0.914	2.046	1.474	176.8	1.331
Italy	(L)	2.115	0.390	0.344	0.102	0.039	100	0.115	0.416	10.42	8.646	0.437	0.084	0.036	0.080	0.058	6.936	0.052
Netherlands	(Fl)	18.33	3.381	2.984	0.888	0.340	866.9	1	3.604	90.31	74.95	3.788	0.730	0.311	0.696	0.501	60.13	0.453
Norway	(NKr)	50.88	9.383	8.281	2.464	0.944	2406	2.775	10	250.6	208.0	10.51	2.026	0.863	1.931	1.391	166.9	1.256
Portugal	(Es)	20.30	3.744	3.304	0.983	0.377	960.0	1.107	3.990	100	83.00	4.195	0.809	0.344	0.771	0.555	66.58	0.501
Spain	(Pta)	24.46	4.511	3.981	1.185	0.454	1157	1.334	4.808	120.5	100	5.054	0.974	0.415	0.928	0.669	80.22	0.604
Sweden	(SKr)	48.40	8.925	7.877	2.344	0.898	2288	2.640	9.512	238.4	197.8	10	1.927	0.821	1.837	1.323	158.7	1.195
Switzerland	(SFr)	25.11	4.631	4.087	1.216	0.466	1187	1.370	4.935	123.7	102.6	5.188	1	0.426	0.953	0.686	82.34	0.620
UK	(£)	58.98	10.88	9.600	2.857	1.094	2789	3.217	11.59	290.5	241.1	12.18	2.348	1	2.239	1.613	193.4	1.456
Canada	(C$)	26.34	4.858	4.288	1.276	0.489	1246	1.437	5.178	129.8	107.7	5.443	1.049	0.447	1	0.720	86.39	0.650
USA	($)	36.58	6.745	5.953	1.772	0.679	1729	1.995	7.189	180.2	149.5	7.558	1.457	0.620	1.389	1	120.0	0.903
Japan	(Y)	30.49	5.623	4.963	1.477	0.566	1442	1.663	5.993	150.2	124.7	6.301	1.214	0.517	1.158	0.834	100	0.753
Ecu	-	40.50	7.468	6.591	1.962	0.751	1915	2.209	7.960	199.5	165.6	8.368	1.613	0.687	1.537	1.107	132.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.5607	0.5672	+0.0065	0.5681	0.5600	29,222	55,579
Mar	0.5706	0.5704	+0.0067	0.5708	0.5704	118	2,288
Jun	-	0.5686	-	-	-	36	2,513

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8288	0.8437	+0.0138	0.8460	0.8280	15,253	75,891
Mar	0.8400	0.8582	+0.0152	0.8562	0.8331	17	793
Jun	-	0.8522	-	-	-	112	165

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6867	0.6915	+0.0048	0.6927	0.6860	10,206	36,846
Mar	0.7000	0.7000	+0.0064	0.7000	0.6967	12	1,214
Jun	-	0.7003	-	-	-	16	175

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6076	1.6086	+0.0010	1.6130	1.6054	4,382	28,497
Mar	-	1.6040	+0.0028	1.6040	1.6010	5	234
Jun	-	1.5970	+0.0018	1.5970	1.5850	52	27

UK INTEREST RATES

LONDON MONEY RATES

Sep 24	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7$\frac{1}{16}$ - 6¾	7$\frac{1}{16}$ - 6$\frac{15}{16}$	7⅛ - 7	7$\frac{5}{16}$ - 7$\frac{3}{16}$	7$\frac{7}{16}$ - 7$\frac{5}{16}$	7$\frac{9}{16}$ - 7$\frac{7}{16}$
Sterling CDs	-	-	7⅛ - 7$\frac{1}{16}$	7$\frac{3}{16}$ - 7⅛	7$\frac{11}{32}$ - 7$\frac{7}{32}$	7$\frac{7}{16}$ - 7⅜
Treasury Bills	-	-	6$\frac{15}{16}$ - 6$\frac{13}{16}$	7 - 6⅞	-	-
Bank Bills	-	-	6$\frac{15}{16}$ - 6$\frac{13}{16}$	6$\frac{31}{32}$ - 6$\frac{27}{32}$	7$\frac{1}{16}$ - 7$\frac{1}{16}$	-
Local authority deps.	6⅞ - 6¾	7 - 6⅞	7$\frac{1}{16}$ - 7	7¼ - 7⅛	7$\frac{5}{16}$ - 7$\frac{7}{32}$	7$\frac{15}{32}$ - 7$\frac{13}{32}$
Discount Market deps	7 - 6⅞	6⅞ - 6¾	-	-	-	-

UK clearing bank base lending rate 7 per cent from Aug 7, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Sep 19, 6.8713pc. ECGD fixed rate Stlg. Export Finance. Make up day Aug 29, 1997. Agreed rate for period Sep 24, 1997 to Oct 25, 1997, Scheme III 6.60pc. Reference rate for period Aug 1, 1997 to Aug 29, 1997, Scheme IV & V 7.229pc. Finance Houses Base Rate 7½pc from Sep 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.56	92.58	+0.02	92.59	92.56	13181	131035
Mar	92.56	92.58	+0.02	92.60	92.56	11642	104864
Jun	92.65	92.66	+0.02	92.68	92.63	15309	87741
Sep	92.77	92.78	+0.02	92.81	92.75	7685	66437
Dec	92.92	92.91	+0.01	92.84	92.89	8539	60642

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9250	0.14	0.21	0.33	0.06	0.13	0.17
9275	0.03	0.09	0.18	0.20	0.26	0.28
9300	0	0.04	0.10	0.42	0.46	0.44

Est. vol. total, Calls 18596 Puts 8173. Previous day's open int., Calls 177263 Puts 186783

EMS EUROPEAN CURRENCY UNIT RATES

Sep 24	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.753067	+0.000958	-5.71	8.54	39
Finland	5.85424	5.87029	-0.0108	0.27	2.05	-2
Italy	1906.48	1920.47	-0.14	0.73	1.59	-5
Spain	163.826	166.006	-0.153	1.33	0.99	-9
Portugal	197.398	200.048	-0.17	1.34	0.98	-9
Denmark	7.34555	7.48901	+0.01163	1.95	0.37	-13
Netherlands	2.16979	2.21508	-0.00311	2.09	0.24	-16
Germany	1.92573	1.96714	-0.00288	2.15	0.18	-21
Austria	13.5485	13.8433	+0.0208	2.19	0.15	-18
Belgium	39.7191	40.6013	-0.0578	2.22	0.17	-16
France	6.45863	6.60935	-0.01088	2.33	0.00	-20
NON ERM MEMBERS						
Greece	295.269	310.907	-0.215	5.30	-2.81	-
UK	0.793103	0.686585	+0.006066	-13.19	17.87	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
1.600	2.05	2.88	3.29	0.75	1.85	2.44
1.610	1.44	2.38	2.77	1.15	2.31	2.87
1.620	0.98	1.93	2.36	1.89	2.82	3.43

Previous day's vol., Calls n/a Puts n/a. Prev. day's open int., Calls n/a Puts n/a

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
0.560	0.48	0.99	1.14	0.61	0.90	1.08
0.565	0.29	0.67	0.91	0.92	1.18	1.38
0.570	0.17	0.50	0.72	1.30	1.51	1.66

Previous day's vol., Calls n/a Puts n/a. Prev. day's open int., Calls n/a Puts n/a

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.19	94.18	-0.01	94.19	94.17	42,367	585,004
Mar	94.12	94.12	-	94.13	94.11	35,028	395,817
Jun	94.03	94.03	-	94.05	94.02	23,433	305,943

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	-	94.97	-	-	-	50	4,795
Mar	94.96	94.96	-0.01	94.96	94.96	298	2,737

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
9600	0.47	0.47	0.48	0.33	0	0	0.01	0.08
9625	0.23	0.24	0.25	0.15	0.01	0.02	0.03	0.15
9650	0.03	0.03	0.07	0.04	0.03	0.08	0.10	0.29
9675	0.01	0.01	0.01	0.01	0.29	0.29	0.29	0.51
9700	0	0	0	0	0.53	0.53	0.53	0.75

Est. vol. total, Calls 21860 Puts 39432. Previous day's open int., Calls 241588 Puts 218932

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9850	0.08	0.09	0.09	0.30	0.53	0.76
9875	0.02	0.04	0.04	0.51	0.73	0.98

Est. vol. total, Calls 0 Puts 150. Previous day's open int., Calls 2950 Puts 2319

BASE LENDING RATES

	%		%		%
Adam & Company	7.00	Duncan Lawrie	7.00	Scottish Widows Bank	7.00
Allied Irish Bank (GB)	7.00	Exeter Bank Limited	8.00	●Singer & Friedlander	7.00
●Henry Ansbacher	7.00	Financial & Gen Bank	8.00	●Smith & Williamson Secs	7.00
Bank of Baroda	7.00	●Robert Fleming & Co	7.00	Sun Banking Corp Ltd	7.00
Banco Bilbao Vizcaya	7.00	●Guinness Mahon	7.00	TSB	7.00
Bank of Cyprus	7.00	Habib Bank AG Zurich	7.00	United Bank of Kuwait	7.00
Bank of Ireland	7.00	●Hambros Bank	7.00	Unity Trust Bank Plc	7.00
Bank of India	7.00	Heritable & Gen Inv Bk	7.00	Whiteaway Laidlaw	7.00
Bank of Scotland	7.00	C. Hoare & Co	7.00	Yorkshire Bank	7.00
Barclays Bank	7.00	Hongkong & Shanghai	7.00		
Brit Bk of Mid East	7.00	Investec Bank (UK) Ltd	7.00	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	7.00	Julian Hodge Bank	7.00	* In administration	
Citibank NA	7.00	●Leopold Joseph & Sons	7.00		
Clydesdale Bank	7.00	Lloyds Bank	7.00		
The Co-operative Bank	7.00	Midland Bank	7.00		
Coutts & Co	7.00	NatWestminster	7.00		
Cyprus Popular Bank	7.00	●Rea Brothers	7.00		
		Royal Bk of Scotland	7.00		

CONTRACTS & TENDERS

PERSONAL

COMMODITIES AND AGRICULTURE

IPE may switch to electronic trading

By Simon Davies

The International Petroleum Exchange yesterday said it would consider switching from open-outcry trading to an electronic dealing system.

The announcement will further intensify the debate over the future of open-outcry trading, where dealers face each other on an exchange floor instead of dealing from computer terminals.

Last week, three European futures and options exchanges announced a tie-up aimed at creating a low-cost electronic trading bloc to compete with the London International Financial Futures and Options Exchange (Liffe), which is committed to open-outcry dealing.

The IPE is also reviewing its ownership structure. It is currently owned by members, but it will consider demutualising and issuing shares. Such a decision could also add pressure for a change in dealing systems.

The primary advantage of open-outcry trading is the liquidity created by locals – speculators who trade with their own capital.

However, electronic systems are undoubtedly cheaper and a profits-driven company would be more likely to opt for the cheapest system. An IPE board decision is expected by the end of November.

Richard Reinert, IPE's chairman, said: "It is only proper that we should question the open out-cry system and see if there is a more attractive and financially viable alternative."

The review has been triggered by concerns over a slowdown in trading volumes in the IPE's two main contracts, Brent and Gas oil.

Turnover in these two contracts so far this year has been less than in the same period of 1996, though this matches declines in energy exchanges elsewhere.

By contrast, a new NBP Natural Gas contract, which is traded electronically, is proving highly successful.

Furthermore, the lease has almost run out on the IPE's current premises, and if it maintains open-outcry trading, the exchange will have to invest in a substantial new trading floor.

Daniel Hodson, chief executive of Liffe, said IPE's decision would have no effect on the exchange's strategy. "We believe that [open-outcry] is one of our principal selling points."

Nonetheless, there has been interest among members of IPE in a merger with Liffe, and a change in the dealing system would make that far less likely.

IPE has already agreed to co-operate with the New York Mercantile Exchange on developing a common system for after-hours electronic trading, and this would substantially reduce the cost of an overhaul of the IPE's trading system.

Mr Reinert said: "There has clearly been a groundswell of opinion from prominent and active members that these two fundamental issues need to be considered before making long-term decisions about the future of the IPE."

COMMODITIES NEWS DIGEST

Israeli group in Chinese venture

An Israeli delegation, headed by Israel Chemicals, arrives in China today to finalise talks on setting up a US$544m joint venture potash factory. The venture is between Mingda Corporation, controlled by the Qinghai Salt Lake Industrial group under China's chemical industry ministry, and Israel's United Development Industry. The latter is a division of Israel Corporation, a holding company with large interests in potash and magnesium through two subsidiaries, Israel Chemicals and Dead Sea Works.

Israel Corporation, owned by the Eisenberg family, has forged close economic and trading contacts with the Chinese government. A potash joint venture would crown the family's attempts at expanding into the south-east Asian market.

Judy Dempsey, Jerusalem

■ COAL MINING

Arco to retain Curragh

Atlantic Richfield, the US energy group, said yesterday that it was no longer including its Curragh coal mine in Australia's Queensland in the bundle of coal assets which it is currently attempting to sell.

Instead, Arco said it would pursue "other options" for the mine's future, although it declined to detail what these might be. The mine, which is 87 per cent owned by Arco, was hit by a strike earlier this year which cost the company an estimated A$3m a week in lost production. Despite operating difficulties, the mine contributed around 4.4m tonnes of the 11m tonnes that Arco produced in Australia last year.

Arco put its Australian coal assets up for sale earlier this year, saying it was looking either for a trade buyer or a possible public offering on the stock market. At the time, it was estimated that the assets could raise several hundred million dollars, and Broken Hill Proprietary was touted as a possible buyer. Aside from the Curragh mine, Arco owns an 80 per cent interest in the Gordonstone mine, 31.4 per cent of Blair Athol, which is operated by Rio-Tinto, and 19.5 per cent of the Clermont property.

The US group said yesterday it was still expecting to complete the first phase of sale – which involves taking indicative bids for both the Australian assets and the US coal interests – by mid-October.

Nikki Tait, Chicago

■ FISH PRODUCTION

FAO reports rise in world output

World fish production rose from 112m tonnes to 116m tonnes in 1996, according to figures from the Food and Agriculture Organisation of the United Nations.

The FAO said the increase was matched by the rise in China's catch from 24.4m to 27.3m tonnes, reflecting the country's expanding inland aquaculture industry which already accounts for more than half its fish catch.

However, the report said tuna stocks were "fully fished or even over-fished" in most sectors, with the western Pacific now the "only area where tuna resources are healthy". This could lead to price rises especially of yellow-fin tuna. Farmed shrimp production is falling in Asia because of disease, the report said, but Latin America increased output by 10 per cent.

Maggie Urry

Squeeze in zinc eases on LME

MARKETS REPORT

By Kenneth Gooding and Maggie Urry in London and Nikki Tait in Chicago

The squeeze in the London Metal Exchange's zinc market, which some analysts suggest has already cost some Chinese smelters US$100m, eased yesterday as more of the metal became immediately available and rumours that the LME board might intervene again unnerved some participants.

The premium for zinc for immediate delivery over three-month metal increased to $280 a tonne in early trading but closed at $205-$225.

Chinese smelters are on the wrong end of the squeeze because they sold metal they did not own in the expectation that prices would fall, only to see prices jump.

"The market now needs to be watched closely to see if the spread [premium] eases further," said William Adams, analyst at Rudolf Wolff, part of Noranda of Canada. "This would indicate that pressure on the Chinese is decreasing."

Macquarie Bank analysts warned: "Once the Chinese short covering comes to an end, the tightness will ease and the premium will narrow sharply. Beware, when the correction comes, it will be very sudden."

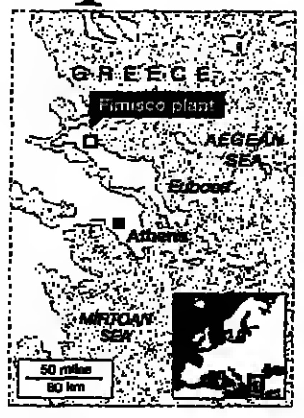
Palm oil prices jumped as traders feared the effects on the crop of widespread jungle fires in Malaysia which have cast a pall of smog over large areas of south-east Asia. In Kuala Lumpur, December and January futures prices reached limit-up in volatile trading, also encouraged by Monday's invitation from Egypt for bids for a large tender. At the close, the benchmark December contract was up M$33 at M$1,498 ($492.76) a tonne after reaching M$1,515.

Coffee prices were little affected by news from the Association of Coffee Producing Countries that its 14 members had exceeded export quotas of 52.25m 60kg bags by 7.2 per cent in the year to June.

In New York, crude oil futures edged higher, despite some weakness when trading opened in reaction to the latest data from the American Petroleum Institute and US Department of Energy. By midday, the November contract was about 9 cents higher at $19.73 while the February contract gained about 11 cents, to $19.87.

Fimisco put back on track

Privatisation helps Greek magnesite group resume exports



WORLD PRODUCTION OF NATURAL MAGNESITE

('000 tonnes)	1994	1995	1996*
Australia	286	263	290
Austria	681	777	700
Brazil	900	900	900
Canada	180	180	200
China	8,000	8,000	8,000
Slovakia	600	600	600
Greece	575	566	550
India	337	335	335
North Korea	1,800	1,800	1,800
Russia	3,300	3,687	3,161
Serbia	68	75	75
Spain	400	450	440
Turkey	829	1,000	1,200
Others**	170	180	200
World total	18,126	18,813	18,271

*Estimated
**Other producers include the US, Colombia, South Africa, Zimbabwe, Poland Pakistan and Iran.
Source: Metals & Minerals Annual Review

Fimisco, the Greek producer of dead-burnt magnesite and refractory bricks for lining furnaces, is resuming exports after its privatisation last year.

The company's abandoned mines and run-down plant on the island of Euboea were acquired by a joint venture between Violign, a Greek lignite mining company, and Alpha Ventures, an Athens-based venture capital group. The asset sale was arranged by the Socialist government.

The joint venture, Viomagn, will invest Dr5.5bn ($19.7m) by this year to revive Fimisco's output of high-quality dead-burnt magnesite and of firebricks.

The company uses dead-burnt magnesite to make fire bricks for steel and non-ferrous metals producers and glass manufacturers. It also supplies dead-burned magnesite as a raw material.

Burdened with heavy debts and over-staffing, Fimisco collapsed after government subsidies were withdrawn in 1991.

Under the terms of the privatisation, Viomagn undertook to operate the company for at least five years and rehire 300 of the original 1,300 workforce.

Fimisco resumed operations last year, refurbishing magnesite mines at Mantoudi, close to the processing plant, and making firebricks from existing stockpiles of dead-burnt magnesite. Firebrick output is set to double this year.

In 18 months of operation, the company has extracted 152,000 tonnes of magnesite from the Mantoudi mines. It has produced 28,700 tonnes of firebricks and 13,000 tonnes of "magflot", a concentrated form of dead-burnt magnesite developed there.

Fimisco forecasts turnover this year of Dr5.5bn, against Dr2.6bn for the nine-month period it operated last year.

The company has made progress with recapturing Middle East markets but it is finding it harder to win back customers in northern Europe.

"It will take time to put Fimisco back on the international map," says Mr Damianos Damianos, managing director of Alpha Ventures. "The plant was in worse shape than we thought and the mining facilities needed additional refurbishment."

The Fimisco acquisition is the first mining project to be backed by Alpha Ventures, which belongs to the Alpha Credit Bank, Greece's biggest private bank.

It is also a new departure for Violign, a northern Greek mining company which sells lignite exclusively to Greece's state-owned electricity utility for use in local power plants.

Violign has a 65 per cent stake in Viomagn, with the rest held by Alpha Ventures.

"It was an opportunity to diversify by resuscitating a very old-established mining operation with considerable ore reserves," says Mr Constantine Varvoutis, Violign's managing director.

Confirmed reserves of magnesite ore on Euboea and at another mine owned by Fimisco in northern Greece amount to 10.3m tonnes – enough to sustain activities for at least 15 years, Mr Varvoutis says.

Kerin Hope

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1631-32	1638-39
Previous	1654-5	1659-60
High/low		1651/1637
AM Official	1640-41	1647-8
Kerb close		1639-40
Open int.	254,913	
Total daily turnover	73,943	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1445-50	1474-77
Previous	1460-70	1490-500
High/low		1490/1474
AM Official	1445-50	1475-6
Kerb close		1477-80
Open int.	5,670	
Total daily turnover	1,061	

■ LEAD ($ per tonne)

Close	639-40	647-48
Previous	627-8	638-9
High/low		651/639
AM Official	635-6	646-7
Kerb close		649-50
Open int.	31,516	
Total daily turnover	6,402	

■ NICKEL ($ per tonne)

Close	6340-45	6440-45
Previous	6375-85	6470-80
High/low		6480/6430
AM Official	6330-35	6430-35
Kerb close		6440-45
Open int.	53,084	
Total daily turnover	19,469	

■ TIN ($ per tonne)

Close	5565-75	5620-25
Previous	5570-80	5625-30
High/low		5630/5620
AM Official	5575-80	5625-30
Kerb close		5610-20
Open int.	16,353	
Total daily turnover	3,569	

■ ZINC, special high grade ($ per tonne)

Close	1660-65	1434-5
Previous	1705-10	1484-5
High/low		1487/1425
AM Official	1693-5	1457-8
Kerb close		1430-31
Open int.	83,632	
Total daily turnover	35,670	

■ COPPER, grade A ($ per tonne)

Close	2082.5-84.5	2110-12
Previous	2071.5-2.5	2100-1.5
High/low	2082/2060	2115/2094
AM Official	2080-81	2109-10
Kerb close		2106-07
Open int.	148,191	
Total daily turnover	43,655	

■ LME AM Official £/$ rate: 1.6155
LME Closing £/$ rate: 1.6135

Spot: 1.6107 3 mths: 1.6047 6 mths: 1.6072 9 mths: 1.5960

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	94.35	+0.55	94.70	93.80	468	1,767
Oct	94.65	+0.55	94.00	94.10	174	3,105
Nov	95.35	+0.55	95.70	95.20	60	1,820
Dec	95.80	+0.90	96.20	94.80	3,341	27,592
Jan	95.80	+0.50	96.30	96.30	29	1,045
Feb	95.80	+0.60	-	-	22	1,060
Total					4,578	52,294

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	322.60-323.10		
Opening	321.85-322.15		
Morning fix	322.00	199.527	471.568
Afternoon fix	322.70	200.186	470.819
Day's High	323.15-323.45		
Day's Low	321.80-322.10		
Previous close	321.00-321.50		

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....3.76 6 months 3.41
2 months ....3.67 12 months 3.44
3 months 3.66

Silver Fix	p/troy oz.	US cts equiv.
Spot	292.15	472.25
3 months	295.75	476.25
6 months	299.70	480.80
1 year	308.05	491.00

Gold Coins	$ price	£ equiv
Krugerrand	320-322	198-200
Maple Leaf	-	-
New Sovereign	75-77	47-49

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	323.6	+1.4	-	-	-	-
Oct	324.0	+1.4	324.4	323.0	1,617	6,577
Dec	325.9	+1.7	326.4	324.0	19,194	116k
Feb	327.6	+1.6	328.0	326.1	199	15,586
Apr	329.4	+1.8	329.0	328.6	17	5,752
Jun	331.3	+1.8	331.5	330.6	44	8,844
Total					21,165	281,498

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	438.0	+2.5	440.0	434.2	3,838	8,405
Jan	425.0	+2.5	428.4	422.5	1,446	4,728
Apr	415.0	+2.5	416.0	410.0	84	665
Jul	411.0	+2.5	-	-	-	3
Total					5,289	13,801

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	195.30	+1.30	194.00	193.00	36	122
Dec	193.90	+1.30	195.00	192.50	407	3,067
Mar	189.90	+1.30	192.00	191.00	54	327
Jun	189.40	+1.30	193.50	193.50	-	108
Total					448	3,624

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	471.1	+5.8	468.0	468.0	183	193
Dec	475.5	+6.0	476.0	470.0	8,128	52,671
Jan	477.0	+6.0	-	-	2	22
Mar	481.8	+6.0	483.0	479.0	652	13,133
May	485.3	+6.0	488.5	485.0	226	3,266
Jul	488.9	+6.0	486.0	483.0	62	2,363
Total					9,173	78,939

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	19.90	+0.11	19.91	19.64	40,040	103k
Dec	19.93	+0.11	20.00	19.73	13,813	61,078
Jan	20.00	+0.09	20.02	19.80	6,616	37,264
Feb	20.03	+0.11	20.03	19.85	1,973	16,538
Mar	19.94	+0.02	19.95	19.90	1,384	10,331
Apr	20.00	+0.08	20.01	20.00	170	9,292
Total					80,400	383,673

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	18.74	+0.10	18.75	18.53	10,342	68,567
Dec	18.65	+0.10	18.67	18.65	2,992	26,136
Jan	18.90	+0.11	18.92	18.71	1,264	22,855
Feb	18.87	+0.09	18.75	18.72	145	8,412
Mar	18.83	+0.10	18.82	18.68	529	4,160
Apr	18.49	-	-	-	-	2,323
Total					15,308	143,865

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	55.10	+0.48	55.10	54.05	15,633	29,109
Nov	55.80	+0.30	55.90	54.95	12,207	37,756
Dec	56.70	+0.30	56.75	55.90	4,792	25,422
Jan	57.35	+0.30	57.45	56.60	1,609	21,154
Feb	57.55	+0.35	57.90	56.80	564	12,171
Mar	57.10	+0.55	57.10	56.35	662	9,115
Total					36,137	150,364

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	170.25	-0.25	170.75	168.50	5,790	23,279
Nov	171.50	-0.25	172.00	169.75	4,845	10,209
Dec	173.00	-0.25	173.25	171.50	1,595	17,331
Jan	174.50	-0.25	174.50	173.25	856	12,997
Feb	174.75	-0.25	174.50	173.75	526	7,346
Mar	173.50	-0.25	-	-	-	4,813
Total					14,731	83,204

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Oct	11.140	+0.090	11.150	11.000	735	1,810
Nov	13.350	+0.060	13.350	13.300	125	1,120
Total					865	10,875

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	3.010	-0.038	3.050	2.965	47,118	43,212
Nov	3.080	-0.019	3.110	3.020	22,881	44,735
Dec	3.170	-0.019	3.189	3.120	0.778	27,370
Jan	3.135	-0.019	3.154	3.090	5,110	25,837
Feb	2.770	-0.008	2.780	2.735	1,645	17,069
Mar	2.475	+0.005	2.480	2.420	133	11,528
Total					91,700	247,541

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	58.05	-0.31	58.50	57.20	12,139	22,284
Nov	56.65	-0.13	56.90	55.90	8,273	32,231
Dec	56.25	-0.15	56.40	55.60	957	14,753
Jan	56.45	-	56.60	55.90	452	13,591
Feb	56.85	-	56.85	56.85	270	4,241
Mar	57.70	+0.10	57.75	57.75	183	5,795
Total					23,474	102,862

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	86.10	+1.00	86.25	85.50	216	3,043
Jan	88.00	+0.90	88.25	87.55	109	3,089
Mar	90.00	+0.90	90.25	89.50	199	2,458
May	92.00	+0.90	92.10	91.50	95	1,444
Jul	94.00	+0.90	93.50	93.50	1	133
Sep	85.25	-	-	-	-	-
Total					621	10,167

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	365.25	-1.75	369.50	362.50	7,869	60,512
Mar	379.50	-1.50	383.00	376.50	1,539	24,021
May	385.50	-3.00	388.50	383.00	355	4,909
Jul	386.00	-2.50	388.50	383.50	856	10,243
Dec	402.00	+0.75	404.00	400.00	164	2,534
Total					10,773	102,276

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	261.00	-1.25	263.25	260.75	27,344	192,523
Mar	270.00	-1.00	272.00	269.00	3,996	59,108
May	274.75	-1.25	276.75	274.50	884	14,579
Jul	278.25	-1.50	280.00	278.25	1,847	26,160
Sep	271.75	-0.75	273.00	271.75	82	1,931
Dec	269.75	-0.75	271.25	269.25	1,446	16,390
Total					35,599	310,918

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	81.50	+0.25	81.75	81.00	65	1,141
Jan	83.25	+0.25	83.50	83.50	10	751
Mar	85.10	+0.10	85.10	85.10	15	315
May	86.00	-	86.75	86.75	3	23
Sep	81.50	-	-	-	-	-
Total					100	2,230

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	638.25	+7.25	640.00	630.00	26,396	97,456
Jan	640.75	+5.50	643.00	634.50	4,467	25,107
Mar	648.75	+5.25	650.00	642.50	2,017	10,253
May	656.50	+6.00	658.00	650.00	1,281	8,958
Jul	664.00	+6.25	664.00	657.00	1,892	10,211
Aug	659.00	+7.00	660.00	657.00	30	65
Total					36,170	155,429

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	23.70	+0.36	23.75	23.34	3,835	12,811
Dec	24.12	+0.33	24.14	23.71	7,009	54,100
Jan	24.32	+0.35	24.32	23.93	1,288	14,926
Mar	24.57	+0.36	24.55	24.20	237	8,449
May	24.65	+0.32	24.58	24.43	353	5,401
Jul	24.70	+0.27	24.60	24.50	56	4,865
Total					12,780	101,484

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	219.9	-0.5	222.5	218.7	5,302	24,748
Dec	205.9	-1.2	207.2	203.5	6,935	45,329
Jan	203.1	+1.6	204.3	200.5	2,081	12,938
Mar	198.2	+0.8	199.8	197.0	1,183	11,451
May	197.3	+1.5	198.0	195.0	857	11,241
Jul	198.6	+1.1	199.8	197.5	856	5,799
Total					17,306	113,148

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	60.0	-2.0	-	-	-	7
Mar	75.0	-12.0	-	-	-	-
Apr	93.0	-14.0	105.0	90.0	223	1,095
May	105.0	-14.0	-	-	-	2
Jun	120.0	-12.0	-	-	-	-
Total					223	1,104

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1275	-10	1285	1275	21	381
Oct	1390	-40	1415	1380	296	1,620
Nov	1467	-18	1475	1460	22	174
Jan	1466	-24	1480	1455	68	495
Apr	1468	-23	1475	1470	10	173
Total					417	2,863

	Close	Prev
BFI	1276	1281

PULP AND PAPER

■ PULPEX OMLX ($5; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	604.00	+8.00	610.00	595.00	110	144
Mar	624.00	+6.50	624.50	617.00	49	130
Total					165	275

FUTURES DATA
All futures data supplied by CMS.

Nuts and seeds
Prices from Kenkko; US$ a tonne. Iranian pistachios 28/30 raw (in shell) naturally opened (round); RPPC prices at 4,400 FCA. Walnuts US jumbo inshell: 2,100 FCA Europe. Turkish hazelnuts 13/15 + 11/13 for new crop indication 4,500 FOB. Italian at 4,600 FCA. Turkish apricots No. 3 crop 1997 at 2,850 CFR MEP. Iranian apricot halves 1,780 CFR for top quality industrial goods. Indian cashews: crop 1997 CFR from top shippers: W320 at 5,460, W240 at 5,850 US almonds: crop 97, St.5% at 3,850 FAS for Sept/Oct. ship. Coconut 1,085 CFR Europe.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1092	+11	1087	1087	2,453	85
Dec	1132	+13	1132	1117	2,453	50,012
Mar	1152	+13	1152	1137	2,182	48,659
May	1170	+13	1168	1155	68	22,986
Jul	1186	+14	1185	1181	183	6,856
Sep	1202	+15	1200	1194	205	12,455
Total					5,637	173,823

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1691	+33	1695	1664	3,086	41,228
Mar	1716	+31	1721	1697	973	29,116
May	1738	+30	1723	1722	274	11,991
Jul	1758	+29	1750	1750	221	3,471
Sep	1773	+26	1755	1755	220	4,510
Dec	1789	+25	1785	1785	330	8,720
Total					5,084	107,074

■ COCOA (ICCO) (SDR's/tonne)

Sep 23	Price	Prev. day
Daily	1292.58	1286.70

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1542	+29	1541	1510	112	406
Nov	1555	+30	1565	1515	2,000	17,665
Jan	1572	+34	1580	1529	1,503	9,351
Mar	1574	+38	1585	1529	744	3,949
May	1577	+38	1578	1573	22	671
Jul	1577	+36	-	-	76	256
Total					4,461	32,469

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	168.65	-0.20	171.50	168.00	5,546	13,053
Mar	156.10	-0.60	159.00	156.00	1,149	5,725
May	151.15	-0.35	152.75	151.00	290	1,793
Jul	146.15	-0.15	148.00	146.75	65	1,726
Sep	141.15	+0.65	141.75	141.25	19	481
Dec	138.25	+1.25	137.00	137.00	27	246
Total					7,118	28,024

■ COFFEE (ICO) (US cents/pound)

Sep 23		Prev. day
Comp. daily	127.51	128.52
15 day average	134.10	134.87

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	299.4	-8.7	307.5	299.0	2,623	10,147
Mar	307.5	-8.1	314.5	307.5	3,927	13,772
May	312.4	-6.0	317.6	312.5	568	2,894
Aug	315.9	-4.1	319.5	310.0	213	1,725
Oct	313.1	-2.9	318.0	316.0	-	2,486
Dec	315.3	-0.5	315.8	315.8	10	132
Total						31,168

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	10.76	-0.22	11.02	10.75	10,687	30,212
Mar	11.41	-0.15	11.62	11.40	11,070	85,110
May	11.59	-0.08	11.73	11.58	2,760	21,917
Jul	11.45	-0.09	11.58	11.43	549	16,429
Oct	11.48	-0.05	11.57	11.47	176	12,678
Mar	11.46	-0.03	11.54	11.46	30	2,386
Total					25,257	169,941

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	71.60	-1.29	72.70	71.20	2,449	756
Dec	74.10	-0.32	74.47	73.92	20,731	48,507
Mar	75.20	-0.31	75.55	75.10	1,381	14,787
May	75.73	-0.27	76.20	75.65	457	9,492
Jul	76.40	-0.35	76.80	76.40	321	6,092
Oct	75.75	+0.10	75.50	75.35	82	625
Total					26,079	85,257

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	69.90	+0.65	69.95	69.00	1,298	10,540
Jan	72.90	+0.65	72.60	72.00	625	9,422
Mar	75.60	+0.60	75.85	75.00	229	6,239
May	73.60	+0.50	78.70	78.00	95	1,577
Jul	81.10	+0.50	-	-	11	696
Sep	83.40	+0.50	-	-	-	274
Total					2,293	38,817

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Sep 23	Sep 22	month ago	year ago
1899.2	1931.3	1908.7	1900.4

■ CRB Futures (Base: 1967 = 100)

Sep 22	Sep 19	month ago	year ago
246.46	240.91	-	-

■ GSCI Spot (Base: 1970 = 100)

Sep 22	Sep 18	month ago	year ago
198.45	197.83	191.03	200.02

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+325	to	724,750
Aluminium alloy	+160	to	51,420
Copper	+3,350	to	315,750
Lead	-	to	121,750
Nickel	-108	to	60,836
Zinc	+2,775	to	433,125
Tin	-80	to	11,150

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	67.525	-0.425	68.150	67.450	6,896	26,152
Dec	67.775	-0.900	68.700	67.750	5,587	34,614
Feb	70.700	-0.500	71.275	70.650	1,711	15,674
Apr	73.575	-0.400	74.000	73.525	909	9,500
Jun	70.225	-0.275	70.525	70.150	417	8,567
Aug	69.900	-0.125	70.250	69.900	180	1,854
Total					15,880	94,415

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	70.125	+0.075	70.625	69.800	3,832	11,523
Dec	65.700	-0.100	66.300	65.500	2,349	10,915
Feb	64.750	-0.150	65.100	64.625	714	3,993
Apr	61.800	-0.025	62.000	61.700	207	1,668
Jun	67.200	+0.050	67.250	67.000	62	1,031
Jul	65.325	+0.125	65.400	65.250	10	700
Total					7,187	30,333

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	63.900	+0.825	64.100	62.900	1,612	5,043
Mar	63.700	+0.875	63.850	63.000	97	470
May	64.225	+0.625	65.000	64.300	8	114
Jul	65.350	+1.350	65.000	64.300	6	40
Aug	63.475	-0.025	-	-	-	10
Total					1,728	5,684

LONDON TRADED OPTIONS

Strike price $ tonne	— Calls —		— Puts —	
■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1600	70	89	20	48
1650	54	64	40	72
1700	21	44	70	101
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
2050	95	130	45	76
2100	68	105	68	100
2150	47	83	97	127
■ COFFEE LIFFE	Nov	Jan	Nov	Jan
1450	120	180	15	58
1500	78	149	24	77
1550	56	123	51	101
■ COCOA LIFFE	Dec	Mar	Dec	Mar
1075	82	121	25	44
1100	67	100	35	54
1125	53	93	46	66
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1800	-	-	13	30
1850	44	-	28	-
1900	23	-	-	-

LONDON SPOT MARKETS

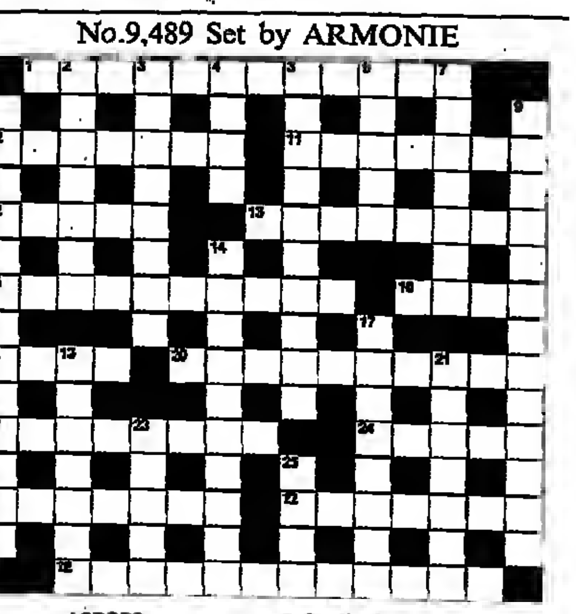
■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$18.04-8.09w	-0.080
Brent Blend (dated)	$18.51-8.56	-0.105
Brent Blend (Nov)	$18.73-8.75	-0.030
W.T.I.	$19.85-9.88w	+0.065
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$208-210	-6
Gas Oil	$172-174	
Heavy Fuel Oil	$92-94	
Naphtha	$196-197	+2
Jet fuel	$188-189	
Diesel	$178-180	+0.5
■ NATURAL GAS (Pence/therm)		
Bacton (Oct)	11.10-11.20	+0.10
Petroleum Argus. Tel. London (0171) 359 8792		
■ OTHER		
Gold (per troy oz)♣	$322.85	+1.60
Silver (per troy oz)♣	473.00c	+3.00
Platinum (per troy oz.)	$442.00	+6.00
Palladium (per troy oz.)	$194.00	+5.50
Copper	100.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	16.44r	
Tin (New York)	261.5	-3.0
Cattle (live weight)	97.46p	-1.77*
Sheep (live weight)	107.20p	-2.89*
Pigs (live weight)†	80.56p	-0.24*
Lon. day sugar (raw)	$265.40	-3.10
Lon. day sugar (wte)	$304.50	-5.60
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.08	
Wheat (US Dark North)	Unq	
Rubber (Oct)♥	59.00p	+0.25
Rubber (Nov)♥	59.00p	+0.25
Rubber (KL RSS No1)	262.0z	
Coconut Oil (Phil)§	640.0y	
Palm Oil (Malay.)§	517.5z	+7.5
Copra (Phil)§	$415.0z	+10.0
Soyabeans (US)	221.0	
Cotton Outlook'A' Index	79.50c	
Wooltops (64s Super)	437p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Sep/Oct. z Oct/Nov. w Nov. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 3,019 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,489 Set by ARMONIE



ACROSS
1 Presently about to fall over transport – drawing amusement? (5,7)
10 Said to be planted in the grass (7)
11 Theatre worker is to show off in the kitchen (7)
12 Wastrel is awfully riled (5)
13 Take stock – the ship is immune from corrosion (8)
15 Aid to pronunciation is to worry evangelist (6,4)
18 Malicious, but not outwardly by desire (4)
18 A person caught cold in days gone by (4)
20 Knowledge commonly found in most uncommon jungle (4,6)
22 Divert Jack from foreign motorway (8)
24 Student covered in a lot of compost (5)
26 No Glaswegian embraces terrorist group in aircraft section (7)
27 One rail is broken in control flap (7)
28 Ship's watch seeking a profitable catch (6,6)

DOWN
2 Drunkard left very quietly over being in row (7)
3 The advantage in having a painter established (8)
4 Fish to European rules (4)
5 Cardinal to storm about villain's fruit (10)
6 Accomplished model is plain (5)
7 New climb is showing potential (7)
8 Odd starting point for a hobby (5-8)
9 It provides shade for access door in Ford (5-8)
14 Rely on fellows met unexpectedly round fortification (10)
17 Queue endlessly for preserving fluid (8)
19 Just the pipe for navy commander in boat (7)
21 Increase general unrest (7)
23 Raised edge on a posh dish (5)
25 King remains impulsive (4)

Solution 9,488

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Asset Management (Bermuda) Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd

Sarasin Funds Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

BT Fund Managers (Ireland) Ltd (z)

Bank of Cyprus Group

Baring International Fund Managers (Ireland) Ltd

Christows Investments Plc

Lazard Investment Funds Ltd - Contd.

Morgan Grenfell Investment Funds Ltd (z)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

[illegible]

Offshore Funds and Insurances

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	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Aetna Master Fund (u) (x)						
21 avenue de la Liberte, L-1931, Lux					00 352 2864 041	
Australasian NAV			A$10.58		-0.00	-
Austasia Nat NAV			Sch71 40		+0.33	-
BelgoLux NAV			BFr1822 14		-2.00	-
Dutch Nat NAV			Dfl53 16		-0.18	-
French Nat NAV			FFr153 87		-0.77	-
German Nat NAV			DM24.21		+0.08	-
Hongkong Nat NAV			HK$741 49		+0.88	-
Italian Nat NAV			L16943		-80	-
Japanese Nat NAV			Y1178		+15	-
Spanish Nat NAV			Pta1937		-5	-
UK Aus NAV			£12 61		-0 12	-
United States Gtr Res			$11.25		—	-
Prices quoted are "A" shares						
American Phoenix Investment Portfolios (u)						
13 rue Goethe, L-1637 Luxembourg					00 352 404646211	
European Multinational Pfolo			Ecu25.32		+0 03	-
European Multinational Pfolo			$27 90		+0.2	-
European Multinational Pfolo			£17.30		+0.05	-
European Multinational Pfolo			L48507		+76	-
European Multinational Pfolo			DM49 71		-0.03	-
Global Multinational Pfolo			Ecu23.47		-0.08	-
Global Multinational Pfolo			$25.86		+0 06	-
Global Multinational Pfolo			£16 04		-0.02	-
Global Multinational Pfolo			L44952		-152	-
Global Multinational Pfolo			DM46.08		-0.17	-
US Growth Companies			$18.89		-0.05	-
US Growth Companies			£11.56		-0 11	-
US Growth Companies			L32485		-349	-
US Growth Companies			DM33.30		-0.37	-
US Real Estate Securities			$19 43		-0.04	-
US Real Estate Securities			£10 19		-0.02	-
US Real Estate Securities			L28536		-108	-
US Real Estate Securities			DM24.27		-0 12	-
BAII Asset Management Ltd						
10 Piccadilly, London W1V 0EE					0171 734 3700	
[illegible]						

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Fleming Group - Contd.						
Fleming Flagship Series 0 (Daily Dealing)						
DM Class F			DM12.996		--	2.8
FFr Class F			FFr65 117		+0.01	2.8
ITL Class 7			L23823		+4.00	6 1
£ Class F			£6.379		--	6.5
US$ Class F			$12.347		—	5.4
Oasis Fund Sicav						
International Equity F	5	CE	[illegible]	12.7775	—	
Foreign & Colonial Emerging Markets Ltd (u)						
Exchange Ho, Primrose St, Ldn, EC2A 2NY 0171-628 1234						
F&C Emerging Markets						
Argentinian Inv Co F			$27 08		—	
Brazilian Inv Co SICAV 7			$55.37		-0.41	
[illegible]			$12.78		-0.05	
Latin Amer Inv Co SICAV 1			$14 55		-0 18	
Mexican Inv Co SICAV F			$26.24		-0 07	
Foreign & Colonial Portfolios Fd Sicav(u)						
33 Boulevard Prince Henri, L-1724 Lux					00 352 2286 21	
Am Smir Cos Eq F			$46.73		-0.03	
Japanese Smir Cos Eq F			Y832 03		—	
European Smir Cos Eq F			Ecu17.51		-0 01	
Emerging Asian Eq F			$19.70		-0 17	
Sterling Beta F			£9.92		-0.03	
Sterling Distribution 7	5		£9 82		-0.03	
Frontrunner I (u)						
672 rue de Neudorf, Luxembourg					00 352 4367350	
European Equities			Ecu173 47		—	
Global Bonds			DKr179 60		--	
Global Bonds			DM167.85		--	
Sterling Fund			£198 00		—	
Danish Bonds			DM181 91		—	
Swedish Bonds		1	Skr131 44		-	
German Bonds			DM108 49		...	
Dollar Bonds		3	$102.59		-	
Scandinavian Equities			Ecu292.58		--	
Far East Equities			$93.83		-	

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

هكذا من الأصل

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Offshore Insurances and Other Funds

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OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses.

Prices of certain older insurance linked plans subject to capital gains tax on sales.

(*) Funds not SIB recognised. The regulatory authorities for these funds are:

Bermuda - Bermuda Monetary Authority

Guernsey - Financial Services Commission

Ireland - Central Bank of Ireland/Irish Department of Enterprise and Employment

Isle of Man - Financial Supervision Commission

Jersey - Financial Services Department

Luxembourg - Institut Monétaire Luxembourgeois.

Initial charge - Charge made on sale of units.

Selling price - Bid or redemption price.

Buying price - Offer or issue price.

OEIC - Open Ended Investment Company.

Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:

(●) 0001 to 1100 hours

(♣) 1101 to 1400 hours

(♦) 1401 to 1700 hours

(♠) 1701 to midnight

E Exit charge on sale of units.

C Manager's periodic charge deducted from capital.

H Historic pricing F - Forward pricing

Distribution free of UK taxes.

p Periodic premium insurance plans.

s Single premium insurance.

Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).

x Offered price includes all expenses except agent's commission.

Previous day's price.

Guernsey gross.

Yield before Jersey tax.

† Ex-subdivision. xd - Ex-dividend.

‡ Only available to charitable bodies

Yield column shows annualised rate of NAV increase.

The fund prices published in this edition are also available at the Financial Times' web site, http://www.FT.com

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	[illegible]	477½	+2	492	407½	[illegible]	5.7	14.3
Bulmer (HP)	[illegible]	415	+5	428	385	216.1	4.4	17.6
Burn St Dist	[illegible]	46½	—	94½	40½	27.8	8.1	11.6
Glenmorangie A		975	—	1040	755	132.8	1.7	24.1
B		1080	—	1140	970	41.2	0.8	51.4
Grand Met	[illegible]	582½	-7	631	425½	12,290	3.2	18.7
Guinness	[illegible]	571	-5½	627	433	10,829	3.4	15.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Laporte	[illegible]	737	+3½	754	582½	[illegible]	3.9	14.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

[illegible]

Net asset values supplied by Natwest Securities Limited as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's
Royal Bk Canada C$		30½		31½	18¾	8,540	2.3
Toronto-Dom C$		21½xd		21¾	13¾	8,369	2.4
Trans Can Ppe C$	♥	12¾	+1/16	12¾	10¾	2,823	4.3
Western Star Trucks C$		17¾	+¼	20½	14¼	190.7	-

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R.		£28¾	—	*£27¾	£20¼	1,904	3.0	♦
Barlow	‡†	£7	-⅛	£8¼	£5¼	1,441	2.0	14.9
Gold Flds Prop R.	†	140½	-1¼	197	132	14.3	6.1	10.9
SA Brews		£17¼	+¼	£23¼	£13¼	5,023	2.2	♦
Standard Bank		£27½	+¼	£30	£21	3,272	2.0	♦
Tiger Oats	†	918		1100	790	1,383	2.0	17.7
Tongaat-Hulett		763½	-1¼	789¼	676¼	741.4	2.5	♦

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ✦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after a special payment. i Indicated dividend yield, p/e ratio based on latest annual earnings. n Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1998. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1997-98. R Dividend is paid in whole or part as a

FID (Foreign Income Dividend). R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

LONDON STOCK EXCHANGE

FTSE All-Share races up to new closing high

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

An uneasy opening by London stocks quickly gave way to a fresh burst of strength yesterday, enabling the FTSE 100 index to recoup all of Tuesday's befty losses and driving the All-Share up to a new closing record of 2,383.98, up 19.1.

London's latest upward move took many traders by surprise and was mainly driven by the derivatives market where the FTSE future moved to a premium to fair value pulling the cash market up with it.

Sentiment was given a boost in the afternoon by the agreed $9bn bid for Salomon Brothers, the US broker, from Travelers.

Wall Street opened on a strong note, with the Dow Jones Industrial Average driving through the 8,000 level. There was also keen buying of UK banking stocks on hopes of more mergers in global banking and financial stocks.

Footsie began the session marginally lower, but gradually began to make progress, led by the future, moving into positive ground within 30 minutes of tha opening and pushing up to finish at the day's high of 5,077.2, up 49.7 and less than 10 points below its previous closing high.

Second-line stocks fared less well, but still managed to record good gains. The FTSE 250 posted a 13-point advance to 4,722.9, only 6.5 short of its record close, reached on March 11. The FTSE SmallCap index rose 4.8 to 2,304.8, still well shy of its March 12 record close of 2,374.2.

There was no initial help for UK equities from the US overnight, where the Dow dipped 26 points and US Treasuries lost about half a point. And gilts only managed to move into positive ground late in the session, ahead of this morning's auction of £1.5bn-worth of 25-year stock.

NatWest Sacurities' strategy team lifted its Footsie targets for end-1997 and 1998; its end-1997 figure was lifted by 200 points to 4,800, while that for end-1998 was raised from 5,100 to 5,700, with a 12-month target of 5,600.

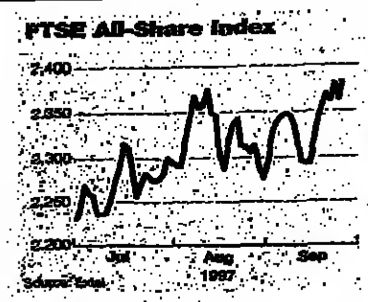
NatWest said it remains nervous about financial markets in the short term. But it cites three positive developments; the narrowing of gilt spreads following better than expected PSBR data and evidence that the economy is not overheating; a results season that has not produced a rash of profit downgrades; and evidence that the net supply of equities will remain modest for the foreseeable future.

BZW, which last month shifted its stance on the UK from "underweight" to "neutral", said it is "looking to upgrade the market further", although it cautioned that "the evidence to back such a view still seems a little light".

The investment bank's added "there is quite a good chance that the next move in base rates will be down rather than up and that the possibility of Emu membership not too long after 1999 looks tantalising".

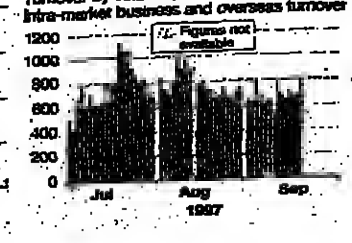
Meanwhile, MeesPierson, the Dutch group, said it is closing its UK securities business at the end of October – a move seen by many as the first casualty of next month'a shift to order-driven trading.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	5077.2	+49.7	FT 30	3278.2	+24.2
FTSE 250	4722.9	+13.0	FTSE Non-Fins p/e	20.14	18.99
FTSE 350	2440.7	+20.8	FTSE 100 Fut Dec	5169.0	+51.0
FTSE All-Share	2383.98	+18.13	10 yr Gilt yield	6.68	6.71
FTSE All-Share yield	3.29	3.32	Long gilt/equity yld ratio	2.04	2.02

Best performing sectors

1 Transport .... +1.8
2 Pharmaceuticals .... +1.7
3 Tobacco .... +1.6
4 Retailers: Food .... +1.5
5 Banks: Retail .... +1.5

Worst performing sectors

1 Alcoholic Beverages .... –0.8
2 Engineering .... –0.4
3 Insurance .... –0.3
4 Breweries: Pubs .... –0.2
5 Electronic & Elect .... –0.1

Salomon news hits UK banks

By Peter John, Joel Kibazo and Martin Brice

Leading financial stocks with investment banking arms were treated cautiously in the light of the news that the heat of global competition is being turned up.

News that Travelers is to buy Salomon Brothers for $9bn hit National Westminster and Barclays, which respectively own NatWest Securities and BZW.

Talk of disposals and mergers have been associated with both for months even though Barclays has consistently refuted the speculation.

However, the level at which Salomon succumbed suggested to many analysts that forecast take-out prices for the significantly smaller UK operations were exaggerated.

And the creation of a new global super group was a reminder that small is increasingly undesirable in broking. While the rest of the sector moved higher, National Westminster lost 4 to 855¼ and Barclays 5 to 518½p.

Meanwhile, HSBC, the sector leader, rose as Dresdner Kleinwort Benson continued to recommend the stock as a good buy following recent weakness in Hong Kong. The UK-denominated stock rose 68¼ to £20.07.

A feeling thet the UK is at the top of the interest rate cycle swept into the market yesterday, belping boost retail stocks.

Dealers are predicting consumer spending is likely to increase once it is clear that people will not have to spend on higher mortgage repayments. A general shortage of stock was also said to have played a part in the advance of several stocks in the retail sector.

The list of stocks in demand included Dixons, where the shares appreciated 16¼ to 630p, after trade of 2.2m. Sentiment in the stock was further enhanced by positive presentations to institutions, while those that regard the stock as cheap were also said to be in the market.

Also wanted was Boots, up 24 at 863½p. There was vague talk of a broker predicting a 900p near-term share price target.

Turnover in Burton Group was a befty 15m after the British clothing retailer restructured the management of its multiples division, appointing three new managing directors. The shares gained 5 to 133¾p, with Merrill Lynch said to be positive on the stock.

Analysts dismissed talk of a French bid. One said: "The shares would have been much higher than this if such a bid was on the table."

Railtrack gained 23½ to 890½p on renewed hopes that the company would benefit from privatisation of the London Underground. The shares have been on a bullish tack since a press report said a survey commissioned by the government had concluded privatisation was unavoidable, while sentiment in the stock has also been helped by a series of presentations made by the company to securities houses. Panmure Gordon has a 950p price target on the stock.

BT added 3 at 415¼p, after heavy turnover of 20m shares; Merrill Lynch issued 25m American-style warrants on shares in BT. Each warrant, issued at 53.4p, represents one share with an exercise price of 430p until March 22, 1999.

Scotia Holdings jumped 18½ to 436p as the biotech company announced a natural new food supplement tbat has the potential to replace weight-loss drugs, which have carried side effects. The company also said it was seeking a listing on the US Nasdaq exchange.

BSkyB took the wooden spoon among Footsie stocks as competition concerns coincided with a bout of profit-taking.

News that a small media company is attempting to challenge the dominance of the BSkyB satellite television network was closely followed by a report suggesting that UK football matches on pay-per-view television will not attract as much money as the industry had estimated.

BSkyB has exclusive rights to show live premiership football matches and the satallite broadcaster's shares fell 11½ to 470½p. However, some analysts said the stock had climbed back from a low of 420p and was merely attracting some timely selling.

Shell Transport dominated trading as a subetantial options-related. and dividend-connected. trade went through the market.

The company saw 57m of its shares printed on the electronic trading screens ahead of the stock going ex dividend on Monday. A similar deal was done last week. The shares closed up 5 at 449½p yesterday.

Meanwhile, BP gained 15¼ to 911½p with some talk of a broker recommendation.

BAT Industries was lower in early trade amid reports that a Brazilian court has ruled in favour of the family of a deceased smoker. However, the stock recovered to end 10½ up at 535p.

Brent International improved 6½ to 86p. Sutherlands bas argued that restructuring benefits for the chemicals group are coming through.

However, Meconic, the opiates manufacturer, fell 32½ to 315p after the group said it expected profits for the six months to October 31, 1997, to be "appreciably lower" than in the same period last year.

Plantation & Ganeral Investments, in which Nick Roditi, one of George Soros's fund managers, has a personal 43 per cent stake, shed 5½ to 113½p after it revealed interim pre-tax profits more than doubled to £879,000 but no dividend, It also plans to focus on Africa, and will sell non-African interests in a "major restructuring".

Tarmac continned the rally prompted by its results this week and firmed to 129p, helped by a "buy" note from David Taylor at Teather & Greenwood, in which he told clients: "The UK quarry products businesses are recovering and the tide has turned in building contracting."

Howard Proctor at SocGen has told clients margins will "come off tbeir peak next year".

Freeport Leisure more than recovered recent lost ground and rose 19½ to 186½p.

British Airways was near the top of tha list of FTSE 100 risers, the stock climbing 15¼ to 664½p, in a move said to have been prompted by newspaper comment that highlighted "unfairness" in the EU stance over the planned alliance with American Airlines.

Shares in British Aerospace were among the big FTSE 100 fallers as the stock dropped 23 to £16.27½ on fears that it might suffer in the fall-out from the court proceedings against two British nurses charged with committing murder in Saudi Arabia.

FT 30 INDEX

	Sep 24	Sep 23	Sep 22	Sep 19	Sep 16	Yr ago	*High	*Low
FT 30	3278.2	3254.0	3277.2	3245.8	3247.6	2816.6	3278.2	2668.8
Ord. div. yield	6.45	3.48	3.60	3.48	3.47	4.03	4.22	3.39
P/E ratio net	21.33	21.16	20.43	21.14	21.18	17.11	21.33	15.80
P/E ratio nil	21.04	20.87	20.15	20.85	20.89	16.95	21.04	15.71

FT 30 since compilation: high 3278.2 24/09/97; low 49.4 26/06/40, Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3255.4	3258.4	3249.8	3256.8	3268.5	3268.5	3267.2	3268.1	3271.3	3278.5	3248.1

	Sep 24	Sep 23	Sep 22	Sep 16	Sep 16	Yr ago
SEAQ bargains	39,886	43,331	46,692	45,905	45,028	34,361
Equity turnover (£m)†	–	2752.5	2640.1	2670.4	2598.9	1595.3
Equity bargains†	–	42,640	48,039	42,132	43,309	32,916
Shares traded (ml)†	–	746.2	874.7	888.5	795.9	561.3

†Excluding intra-market and overseas turnover but including Crest turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	861	Total Highs	144	Total contracts	77,836
Total Falls	617	Total Lows	49	Calls	9,786
Same	1,689			Puts	68,050

Sep 24 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett.price	Change	High	Low	Est. vol	Open int.
Dec	5110.0	5169.0	+51.0	5173.0	5088.0	7584	63878
Mar	5150.0	5213.0	+51.0			0	1805

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett.price	Change	High	Low	Est. vol	Open int.
Dec		4775.0	+0			0	8762

■ FTSE 100 INDEX OPTION (LIFFE) (*5072) £10 per full index point

	4900		4950		5000		5050		5100		5150		5200		5250	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Oct	[illegible]															
Nov	[illegible]															
Dec	[illegible]															
Jan	[illegible]															
Jun†	[illegible]															

Calls 734 Puts 1,316

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4925	4975	5025	5075	5125	5175	5225	5275
Oct	[illegible]							
Nov	[illegible]							
Dec	[illegible]							
Mar	[illegible]							
Jun†	[illegible]							

Calls 2,226 Puts 8,260 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	-	415	395	Antofagasta Uts	[illegible]					
§	F.P.	5.41	105	105	†Arars Resources	[illegible]					
-	F.P.	91.7	117¼	101	Bristol & W Prf	[illegible]					
§100	F.P.	31.5	149½	108½	Cammell Laird	[illegible]					
100	F.P.	7.85	127½	109½	†Computerland UK	[illegible]					
	F.P.	-	125	114	EMI-B	[illegible]					
§	F.P.	8.91	65	52½	†GR Holdings	[illegible]					
§150	F.P.	331.7	297½	162½	Galen Hldgs	[illegible]					
§125	F.P.	5.43	135	90½	†Helicon Publng	[illegible]					
§134	F.P.	6.47	135½	134½	†I 8 Solutions	[illegible]					
§160	F.P.	17.9	185	172½	†Kingfisher Leis	[illegible]					
100	F.P.	31.5	112½	99½	Rosbourne Media	[illegible]					
§100	F.P.	7.85	120½	105½	†SBS Group	[illegible]					
-	F.P.	-	39½	30	Severn Trent B	[illegible]					
-	F.P.	-	54½	37½	†Stentor Warrants	[illegible]					
	F.P.	-	22¾	19½	Thorn B	[illegible]					
-	F.P.	72.0	68½	56½	Vigien Tech	[illegible]					

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Sep 23	% chg on day	Sep 22	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1327.47	+0.7	1318.01	1911.10	2.27	[illegible]	[illegible]	[illegible]
■ Regional Indices								
Africa (13)	1224.90	–2.3	1253.68	2530.18	[illegible]	[illegible]	[illegible]	[illegible]
Australasia (8)	1438.47	–0.9	1451.18	2016.43	[illegible]	[illegible]	[illegible]	[illegible]
North America (11)	1360.85	+1.9	1335.25	1722.11	[illegible]	[illegible]	[illegible]	[illegible]

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Sep 24	Day's chge%	Sep 23	Sep 22	Sep 19	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5077.2	+1.0	5027.5	5075.7	5023.8	3935.7	3.24	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 250	4722.9	+0.3	4709.9	4707.2	4701.2	4403.1	3.5[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 250 ex IT	4734.1	+0.3	4720.7	4717.6	4714.0	4436.7	3.8[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350	[illegible]										
FTSE 350 ex IT	[illegible]										
FTSE 350 Higher Yield	[illegible]										
FTSE 350 Lower Yield	[illegible]										
FTSE SmallCap	[illegible]										
FTSE SmallCap ex IT	[illegible]										
FTSE All-Share	[illegible]										
FTSE All-Share ex IT	[illegible]										

■ FTSE Actuaries Industry Sectors

[illegible]

■ Hourly movements

[illegible]

Further information is available on http://www.ftse.com

‡ Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]			

Based on trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All figures are rounded. Source: Sheet, part of FT information.

هكذا من الأصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 24 / Sch)

BELGIUM/LUXEMBOURG (Sep 24 / Frs.)

CZECH REP (Sep 24 / Korona)

DENMARK (Sep 24 / Kr)

FINLAND (Sep 24 / Mks)

FRANCE (Sep 24 / Frs.)

GERMANY (Sep 24 / Dm.)

GREECE (Sep 24 / Drachma)

ITALY (Sep 24 / Lira)

NETHERLANDS (Sep 24 / Fl.)

NORWAY (Sep 24 / Kroner)

POLAND (Sep 24 / Zloty)

PORTUGAL (Sep 24 / Escudo)

SPAIN (Sep 24 / Pts.)

SWEDEN (Sep 24 / Kronor)

SWITZERLAND (Sep 24 / Frs.)

TURKEY (Sep 24 / TL Lira)

PACIFIC

JAPAN (Sep 24 / Yen)

AUSTRALIA (Sep 24 / AusS)

HONG KONG (Sep 24 / H.K.S)

INDONESIA (Sep 24 / Rupiah)

MALAYSIA (Sep 24 / MYR)

NEW ZEALAND (Sep 24 / NZ $)

SINGAPORE (Sep 24 / S$)

SOUTH KOREA (Sep 24 / Won)

TAIWAN (Sep 24 / TW $)

THAILAND (Sep 24 / Baht)

MONTREAL (Sep 24 / Can $)

AFRICA

SOUTH AFRICA (Sep 23 / Rand)

NORTH AMERICA

CANADA

TORONTO (Sep 24 / Can $)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY SEPTEMBER 23 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY SEPTEMBER 22 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (78)	236.33	0.5	217.34	181.51	220.59	218.27	0.4	3.50	235.28	217.63	181.64	219.32	217.40	243.87	200.17	200.17
Austria (24)	203.09	0.5	186.77	155.97	189.56	189.47	0.7	1.73	202.03	186.56	155.98	188.33	188.25	206.00	175.14	177.94
Belgium (28)	242.84	-0.9	223.32	186.50	226.68	221.94	-0.4	3.08	244.19	225.86	188.53	227.63	222.86	251.11	215.57	218.83
Brazil (30)	275.45	-1.6	253.31	211.55	257.10	555.13	-1.6	1.32	280.08	259.05	216.22	261.08	564.28	322.44	178.94	184.10
Canada (124)	224.93	0.0	206.85	172.75	209.95	226.20	0.0	1.66	224.94	208.06	173.66	209.68	226.13	224.94	166.81	166.81
Denmark (32)	389.69	-0.3	358.37	299.28	363.73	362.29	-0.1	1.41	390.80	361.49	301.71	364.29	362.81	421.25	319.26	321.30
Finland (28)	312.63	0.2	287.50	240.10	291.81	351.39	0.2	1.57	312.14	288.73	240.66	290.96	350.63	314.06	209.53	210.40
France (83)	234.08	-0.9	215.27	179.78	218.49	221.54	-0.7	2.38	236.19	218.44	182.32	220.14	223.20	237.57	193.78	193.78
Germany (59)	225.76	0.1	207.62	173.39	210.73	210.73	0.3	1.36	225.44	208.53	174.05	210.15	210.15	238.42	176.72	176.72
Hong Kong, China (66)	492.34	-0.6	452.77	378.12	459.55	489.36	-0.6	3.17	495.44	458.27	382.49	461.63	492.42	580.03	436.87	441.95
Indonesia (27)	152.90	2.4	140.61	117.43	142.71	280.92	1.3	2.31	149.32	138.12	115.28	139.19	277.33	254.80	130.64	207.27
Ireland (17)	365.75	0.9	336.36	280.90	341.39	352.40	0.7	2.79	362.35	335.17	279.75	337.77	349.85	378.19	293.47	294.34
Italy (58)	111.43	-0.6	102.48	85.58	104.01	145.74	-0.5	1.63	112.12	103.71	86.56	104.52	146.53	112.12	74.29	74.93
Japan (485)	119.96	0.5	110.32	92.13	111.97	92.13	0.0	0.86	119.34	110.39	92.13	111.24	92.13	147.81	107.57	146.10
Malaysia (107)	308.45	4.7	283.66	236.89	287.91	361.79	3.0	1.98	294.57	272.47	227.42	274.59	351.41	660.85	287.37	564.02
Mexico (27)	1853.69	-0.3	1704.74	1423.67	1730.24	15746.70	0.2	1.54	1858.80	1719.35	1435.05	1732.69	15711.62	1864.38	1136.59	1251.37
Netherlands (19)	407.28	-0.7	374.55	312.80	380.16	375.63	-0.6	2.22	410.28	379.50	316.75	382.44	379.05	431.58	297.95	297.95
New Zealand (14)	91.64	-0.3	84.28	70.38	85.54	76.45	-0.5	3.96	91.89	85.00	70.94	85.66	76.82	96.47	83.03	86.78
Norway (41)	340.90	-0.1	313.50	261.81	318.19	335.96	-0.4	1.83	341.36	315.75	263.54	318.20	337.31	342.97	251.32	253.81
Philippines (22)	97.83	-3.0	90.06	75.21	91.41	163.96	-2.2	1.29	100.81	93.34	77.90	94.08	167.64	214.07	96.40	206.42
Singapore (42)	300.78	0.1	276.61	231.00	280.75	209.74	-1.0	1.51	300.64	278.09	232.10	280.24	211.83	448.01	284.17	402.03
South Africa (43)	321.74	-1.4	295.88	247.10	300.31	330.34	-1.5	2.58	326.21	301.74	251.84	304.08	335.28	370.12	301.49	348.41
Spain (33)	265.56	-0.3	244.22	203.95	247.87	304.75	-0.2	2.15	266.48	246.49	205.73	248.40	305.42	276.05	177.34	177.34
Sweden (49)	519.19	0.7	477.48	398.74	484.60	586.72	0.1	1.78	515.63	476.95	398.08	480.64	586.28	519.19	370.06	370.06
Switzerland (33)	313.68	0.1	288.48	240.91	292.79	286.61	0.3	1.16	313.33	289.83	241.90	292.07	285.69	329.56	231.69	240.48
Thailand (42)	39.77	3.9	36.58	30.55	37.12	56.96	2.8	4.93	38.26	35.39	29.54	35.67	55.40	146.69	37.40	136.97
United Kingdom (213)	319.65	-0.2	293.04	244.73	297.43	293.04	-0.3	3.39	319.35	295.39	246.55	297.69	295.39	325.28	246.23	246.62
USA (634)	387.54	-0.3	356.40	297.64	361.73	387.54	-0.3	1.60	388.88	359.71	300.23	362.50	388.88	389.67	279.34	279.55
Americas (815)	354.23	-0.3	325.77	272.06	330.64	298.42	-0.3	1.60	355.45	328.79	274.42	331.34	299.43	356.35	255.50	255.73
Europe (712)	280.92	-0.2	258.35	215.75	262.22	267.84	-0.4	2.38	281.58	260.44	217.37	262.48	268.58	284.44	215.28	215.28
Nordic (150)	438.71	0.4	403.46	336.93	409.49	436.47	0.0	1.69	437.02	404.23	337.39	407.37	436.40	438.71	318.49	318.49
Pacific Basin (881)	135.70	0.5	124.78	104.22	126.66	105.17	0.0	1.39	135.04	124.91	104.25	125.87	105.14	162.15	127.19	160.23
Euro-Pacific (1593)	196.31	0.1	180.53	150.77	183.24	186.12	-0.2	1.98	196.19	181.47	151.48	182.88	186.49	209.12	173.55	183.04
North America (758)	377.48	-0.3	347.14	289.91	352.34	376.81	-0.3	1.60	378.72	350.31	292.39	353.03	378.05	379.38	272.62	272.89
Europe Ex. UK (499)	254.01	-0.2	233.60	195.08	237.08	247.10	-0.2	1.91	254.59	235.49	196.55	237.31	247.49	256.73	193.62	193.62
Pacific Ex. Japan (396)	272.37	0.4	250.49	209.19	254.23	252.52	0.1	3.03	271.32	250.96	209.46	252.91	252.28	320.65	260.02	288.13
World Ex. US (1817)	200.85	0.0	184.71	154.26	187.47	173.33	-0.2	1.98	200.82	185.76	155.04	187.20	173.74	212.89	176.94	184.78
World Ex. UK (2238)	255.13	-0.2	234.63	195.94	238.14	229.07	-0.2	1.60	255.63	236.36	197.28	238.19	229.61	262.69	211.16	211.25
World Ex. Japan (1966)	331.81	-0.3	305.14	254.83	309.71	325.02	-0.3	1.94	332.73	307.76	256.87	310.15	326.13	334.85	251.14	251.15
The World Index (2451)	260.59	-0.2	239.65	200.14	243.23	234.99	-0.3	1.78	261.01	241.43	201.51	243.31	235.68	267.21	214.31	214.39

 CONSTITUENT CHANGE WITH EFFECT 25/9/97: Deletion: Wattachak (Thailand). Latest prices were unavailable for this edition. Market closed 23/9/97: Japan.

Emerging markets: IFC Investable indices

Latest indices were unavailable for this edition.

FT Free Annual Reports Service

3:30 pm September 24

NEW YORK STOCK EXCHANGE PRICES

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. § Dealings suspended.

NASDAQ

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Sep 23	Sep 22	Sep 19	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7970.06	7996.83	7917.27	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	104.12	104.10	104.12	104.70 (31/7)	101.08 (14/4)	104.70 (31/7/97)	54.99 (1/10/81)
Transport	3156.06	3185.96	3208.80	3208.80 (19/9)	2222.07 (2/1)	3208.80 (19/9/97)	13.23 (8/7/32)
Utilities	240.92	242.48	241.27	242.92 (16/9)	209.47 (25/4)	256.46 (31/8/93)	15.53 (8/7/32)

DJ Ind. Day's high 8048.18 (8078.96) Low 7885.34 (7889.27) (Theoretical) Day's high 8005.18 (8021.88) Low 7929.05 (7916.00) (Actual)

Standard and Poors	Sep 23	Sep 22	Sep 19	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	951.93	955.43	950.51	960.32 (6/8)	737.01 (2/1)	960.32 (6/8/97)	4.40 (1/6/32)
Industrials¶	1114.34	1117.65	1111.92	1130.76 (6/8)	865.42 (11/4)	1130.76 (6/8/97)	3.52 (30/6/32)
Financial¶	111.78	112.55	111.81	112.55 (22/9)	80.75 (2/1)	112.55 (22/9/97)	7.13 (4/9/74)
Others							
NYSE Comp.	495.95	498.18	496.56	498.18 (22/9)	389.47 (11/4)	498.18 (22/9/97)	4.64 (25/4/42)
Amex Comp	695.45	698.94	698.94	698.94 (22/9)	541.20 (28/4)	698.94 (22/9/97)	524.20 (16/7/96)
NASDAQ Cmp	1697.36	1688.45	1680.36	1697.36 (23/9)	1201.00 (2/4)	1697.36 (23/9/97)	54.87 (3/10/74)
Russell 2000	449.42	448.95	447.17	449.42 (23/9)	335.85 (25/4)	449.42 (22/9/97)	123.36 (7/12/93)

RATIOS

	Sep 19	Sep 12	Sep 5	Year ago
Dow Jones Ind. Div. Yield	1.87	1.89	1.67	2.16
	Sep 17	Sep 10	Sep 3	Year ago
S & P Ind. Div. yield	1.50	1.54	1.52	1.98
S & P Ind. P/E ratio	25.37	24.80	25.11	22.41

US DATA

MARKET ACTIVITY

● Volume (million)	Sep 23	Sep 22	Sep 19
NYSE	526,720	490.930	634.591
Amex	26.405	25.018	27.502
NASDAQ	772.640	716.203	693.610

NYSE	Sep 23	Sep 22	Sep 19
Issues Traded	3,368	3,396	3,402
Rises	1,287	1,718	1,383
Falls	1,531	1,170	1,461
Unchanged	57	501	558
New Highs	269	381	276
New Lows	19	19	24

NYSE TRADING ACTIVITY — Volume : 526,720,000

ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Micron Tech	10,779,800	37	-3½
Aetna Inc	8,198,500	93⅞	-9¼
Compaq	4,474,800	76⅞	-1⅛
Boeing	4,080,800	54⅛	+1¼
Merck	3,018,300	103¾	+⅞
Westinghs	3,893,800	27⅝	+⅝
Unisys	3,824,100	12⅛	+⅞
IBM	3,301,800	103⅛	-¾
Nationsbk	3,291,000	62⅛	+1
Salomon	3,261,900	71⅛	+4½

BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Amsico Hlth	80½	+8⅛	+12.2
Excel Com	24⅜	+2⅛	+9.0
Compusa	35⅛	+2½	+7.5
Budget Gp	36⅞	+2⅛	+7.1
Downs			
Data Gen	29⅛	-4⅛	-12.4
Stanhome	30⅛	-3⅛	-10.6
RPC	29⅛	-3⅛	-9.9
Aetna Inc	93⅞	-9⅛	-8.8

NASDAQ TRADING ACTIVITY — Volume :772,640,900

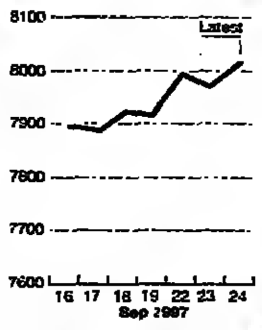
ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Informix	19,995,300	6⅞	-⅛
Intel	14,324,500	96¾	+2¼
Tele Com A	12,797,300	19¾	+⅛
Three Com	10,917,700	52	+1½
Rational Stw	9,050,500	18⅛	-1⅛
Cisco Sys	8,472,000	78	+⅞
Ascend Com	7,876,900	38¼	+⅛
Dell Comp	7,430,300	100⅝	+⅜
MCI Com	6,027,000	29¼	+⅛
Quantum Cp	5,858,700	42⅛	+2⅞

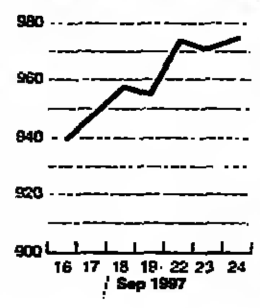
BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Continental	21⅛	+3¾	+21.4
Coast Dent	28½	+4⅜	+20.0
Tech Sol	30½	+3⅞	+14.5
Am Bancorp	46⅛	+5¾	+14.2
Downs			
Appl Analyt	19¾	-3¼	-14.1
Corner	21⅛	-3⅛	-12.8
Unitab	32⅛	-4⅛	-11.9
Spinnaker	25	-3	-10.7

Dow Jones



FTSE Eurotop 300



JAPAN

	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Since compilation High	Since compilation Low
Nikkei 225	18420.08	(c)	18201.32	20681.07	17303.65	38915.9	85.25

TOKYO TRADING ACTIVITY — Volume : 489,000,000

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Yaohan Jpn	32,248,000	4	-1
Nippon Stl	12,537,000	272	+12
Aoki Corp	12,326,000	53	+18
Sakura Bk	9,527,000	611	+3
Toyota Mtr	7,528,000	3760	+40
Mitsbshi Hvy	6,342,000	839	-11
Fujitsu	6,014,000	1590	+50
Kawsaki Stl	5,763,000	241	+2
Oshowa Pap	5,751,000	716	+6
S'tomo Mtl	5,194,000	253	+7

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Aoki Corp	53	+18	+51.4
Nakano Cp	185	+38	+25.9
Wako Secs	330	+49	+17.4
Hokkai Can	486	+61	+15.1
Downs			
Mylcostd Cp	159	-40	-23.6
Nip Convyr	215	-58	-21.3
Daikyo	184	-40	-17.9
L Iukuel	85	-15	-14.9

FRANCE

	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Since compilation High	Since compilation Low
CAC 40	3023.77	2997.23	3017.45	3075.67	2256.97	3075.67	984.61

PARIS TRADING ACTIVITY — Volume : 341,148,900

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Sanofi	2,306,443	552	-83
Usinor	1,821,371	110	+5.1
Elf Aquitaine	1,378,373	811	+6
CSF (Thom)	881,722	181.5	+7.2
BNP	863,344	298.6	+4.6
AXA-UAP	769,230	399.8	+0.4
Total B	674,365	700	+1
Rhone-Poul A	651,350	239.7	+3.8
Dassault Sys	578,051	380	-3
Alcatel Alsth	816,643	783	+1

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Moseley-Bd	110	+11.7	+11.9
Gakal-Em	143.3	+13.3	+10.2
Cast Dubois	669	+59	+9.7
Int Met Sv	98.75	+6.95	+7.6
Downs			
Un Cred Bat	12.65	-7.4	-36.9
Sanofi	552	-83	-13.1
Petit Bateau	26	-3	-10.3
Cont d'Ass	502	-52	-9.4

GERMANY

	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Since compilation High	Since compilation Low
DAX	4102.39	4098.20	4088.92	4438.93	2848.77	4438.93	931.18

FRANKFURT TRADING ACTIVITY — Volume : 7,561,309

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Daimler-Benz	1,872,429	144.5	+4.6
D Telecom	782,390	33.68	+0.33
Commzbk	670,905	63.6	+0.5
Siemens	400,932	121.15	-0.25
Deutsche Bk	396,157	115.15	-1
BASF	351,577	62.7	-0.5
Bayer	347,403	70.75	-0.25
RWE nv	313,675	73.2	+0.2
Veba	251,875	102.2	+1.5
Lufthansa	251,200	34.85	+0.05

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Mars Lauf nv	373	+17	+4.6
Asa All Han	512	+21	+4.3
GEA	620	+23	+3.9
Grobe (Fri) nv	506	+10	+3.7
Downs			
Badenwerk	530	-40	-7.0
Massa	177	-12.1	-6.4
Vereseidag	174	-8	-4.9
Holzmn (Ph)	527	-10	-3.3

UK

	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Since compilation High	Since compilation Low
FTSE 100	5077.2	5027.5	5075.7	5088.80	4056.60	5086.8	986.9

LONDON TRADING ACTIVITY — Volume : 791,200,000

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Shell T&T	58,991,500	449½	+5
Middlesex	29,497,580	8¼	+¼
BT	20,651,540	415½	+3
Barclays	15,723,720	133¾	+5
Centrica	11,253,510	81¼	+1
SmKl Bchm	10,616,800	574	+15½
Vodafone	10,345,740	332	-2½
Nat Grid	8,535,114	282½	-4
BTR	8,734,968	237½	-½
Electra Btq	8,622,204	38¾	+1¼

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Superscp VR	83	+10	+29.7
JBJ	55½	+10½	+23.3
Bakyrcbk	32	+6	+23.1
BICC	162½	+15	+10.2
Downs			
Meconic	315	-32½	-9.3
Greenalls	414	-37½	-8.3
Christie Gp	52½	-4	-7.1
Biocompatbl	457½	-17½	-3.7

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	961.30	962.45	+0.45	962.75	957.75	45,688	186,749
Mar	-	972.35	-	-	-	132	2,968

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	18240.0	18420.0	+240.0	18420.0	18100.0	16,639	168,026
Mar	-	18300.0	-	-	-	-	7,682

Open interest figures for previous day.

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	2996.0	3024.0	+18.0	3030.0	2992.0	20,595	38,161
Oct	3004.0	3030.5	+17.5	3034.0	2999.0	2,751	12,564
DAX							
Dec	4106.0	4190.0	+72.0	4191.0	4091.0	20,519	59,263
Mar	4145.0	4225.0	+66.5	4222.0	4130.0	43	2,538

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	2580.75	2599.00	+21.75	2607.00	2545.00	12,769	11,975
Oct	2590.00	2610.00	+23.25	2616.00	2580.00	8,399	10,846
SOFFEX							
Oct	5715.0	5742.0	+12.0	5777.0	5708.0	4,442	22,097

WORLD MARKETS AT A GLANCE

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Argentina ♣	General	(u)	24196.17	24149.65	24917.86 6/8	18237.37 2/1	2.7	17.7
Australia	All Ordinaries	2768.9	2776.9	2764.9	2778.90 23/9	2282.20 1/4	3.3	19.3
	All Mining	768.7	769.2	768.6	997.10 24/2	765.10 18/9		

Market finished all its loss as banks and mines regained ground and some investors bet on rally for Wall Street.

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Austria	Credit Aktien	459.56	459.12	455.07	468.82 1/8	374.40 9/1	1.88	16.7
	Traded Index	1420.21	1416.24	1408.39	1490.49 31/7	1130.22 9/1		

Steelmakers VA Stahl and Boehler-Uddeholm in demand after Salomon Brothers issued buy note on Tuesday.

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Belgium	BEL20	2389.73	2405.66	2414.30	2621.90 28/7	1871.05 2/1	2.33	16.3

Weak dollar sapped momentum and sent non-ferrous metals group Union Miniere down 3 per cent and Delhaize down 2 per cent.

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Brazil ♣	Bovespa	11609.0	11516.0	11696.0†	13617.00 8/7	8965.50 2/1	0.43	na
Canada	TSE 100♦	419.69	418.77	419.06	419.21 7/8	342.12 11/4	1.69	21.2
	Metals Mins♦	4719.29	4752.22	4764.79	6691.75 10/3	4230.99 12/9		
	Composite♦	7027.70	7014.20	7015.10	7015.10 22/9	5679.30 14/4		
	Portfolio§§	3463.79	3451.02	3452.15	3604.93 7/8	2846.02 11/4		

♣Leading shares at record high by midday, taking their lead from Wall Street.

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Chile ♣	IGPA Gen¥	5526.10	5520.44	5536.18	5988.71 4/7	4912.42 2/1	3.19	18
China	Shanghai B	75.90	74.77	77.00	98.21 7/5	60.78 9/1	1.32	65.3
	Shenzhen B	128.52	127.45	129.37	184.20 6/5	120.44 9/7		

Official assurances the market would not be flooded with new issues triggered a round of buying by domestic investors.

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Colombia ♣	IBB	(u)	1448.55	1438.93	1448.55 23/9	844.41 2/1	na	na
Czech Republic	PX 50	533.2	534.8	537.8	629.00 25/2	476.70 21/5	na	na

Foreign investors said to be staying away ahead of passage of 1998 budget due to be sent to parliament by end of month.

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Denmark	CopenhagenSE	623.34	618.80	617.82	656.29 17/7	470.14 2/1	1.33	19.4

Higher-based prices took equities ahead with Moeller and Novo Nordisk leading the way.

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Egypt	Cairo SE Gen	377.69	378.45	378.65	- -	- -	na	na

Second straight day of profit-taking sent prices lower. Banks active but several issues on slide.

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Finland	HEX General	3582.57	3566.16	3554.09	3685.88 7/8	2483.28 2/1	2.19	15.7

Metals kept overall tone positive. UPM-Kymmene turned up late in day but Raisio weak in fair volume.

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
France	SBF 250	1961.46	1946.60	1957.28	2003.43 31/7	1539.10 2/1	2.57	17.4
	CAC 40	3023.77	2997.23	3017.45	3075.67 31/7	2256.97 2/1		

Broad market firmer in spite of shakeout for drugs leader Sanofi.

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Germany	FAZ Aktien	1366.33	1375.41	1362.70	1481.44 31/7	986.21 2/1	1.42	19.9
	Commerzbank	3979.50	4005.60	3968.90	4336.70 31/7	2876.90 2/1		
	DAX‡	4102.39	4098.20	4088.92	4438.93 31/7	2848.77 2/1		

Carmakers put in good performance in broadly higher market.

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Greece	Athens SE	1718.34	1693.87	1684.29	1727.70 23/5	984.54 2/1	2.51	18.2

Share prices broke through 1,700 level on good corporate results and ample liquidity in hands of growth funds.

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Hong Kong	Hang Seng	14205.44	14094.38	14108.08	16673.27 7/8	12055.17 3/4	2.66	14.7
	HSCC Red Chip	3133.55	3102.61	3265.44	4118.55 27/8	1846.45 9/1		

Hang Seng index finished higher after a day of sharp swings across the market due to continued regional uncertainties.

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Hungary	Bux	7671.96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
India	BSE Sens	3825.91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	Crisil 500	712.24	[illegible]	[illegible]	[illegible]	[illegible]		

ICICI Bank in spotlight as issue makes debut. [illegible]

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Indonesia	Jakarta Comp.	553.65	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Brokers attributed the fourth consecutive rise to [illegible]

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Ireland	ISEQ Overall	3668.99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Market firm, taking lead from positive showings [illegible]

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Israel	Mishtanim 100	284.66	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Thin trade as options speculators pressured prices [illegible]

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Italy	BCI Comit 30	241.28	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	Banca Com Ital	991.84	[illegible]	[illegible]	[illegible]	[illegible]		
	Mibtel General	15919.0	[illegible]	[illegible]	[illegible]	[illegible]		

Stocks extend rally, led higher by gains in telecom[illegible]

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Japan	Nikkei 225	18420.08	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	Nikkei 300	280.50	[illegible]	[illegible]	[illegible]	[illegible]		
	Topix	1424.17	[illegible]	[illegible]	[illegible]	[illegible]		
	2nd Section	1506.72	[illegible]	[illegible]	[illegible]	[illegible]		

Dollar fall of more than Y2 sent the Nikkei down [illegible]

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Jordan	Amman SE	175.65	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia	KLSE Comp.	779.41	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Rumours of run on deposits at branch of MBf Fin[illegible]

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Mexico	IPC	5283.77	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

♣Sharply higher morning performance, boosted by [illegible]

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Morocco	CASA	670.12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Broad market flat, held back by oil refiner Samir [illegible]

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Netherlands	CBS TtlRtnGen	1082.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	CBS All Shr	671.0	[illegible]	[illegible]	[illegible]	[illegible]		

Shares weak with with steel group Hoogovens [illegible]

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
New Zealand	Cap 40	2561.22	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Shares eased in quiet trade. Telecom slipped 6 ce[illegible]

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Nigeria	SE All-Share	(u)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	Oslo SE Ind	2142.35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Insurer Storebrand at centre of attention as anothe[illegible]

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Pakistan	Karachi SE	1825.98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Market rebounded on hopes that govt meeting tod[illegible]

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Peru ♣	Lima Gen	2001.16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Philippines	Manila Comp	2077.04	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prices closed higher after a cut in bank's liquidity [illegible]

Country	Index	Sep 24	Sep 23	Sep 22	1997 High	1997 Low	Yield	P/E
Poland	WIG	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	BVL 30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	PSI 20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		
Russia	RTS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Singapore	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Slovakia	SAX	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
South Africa	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
South Korea	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	Madrid SE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sri Lanka	CSE All Share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	AffarsvarldGen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	SMI Index	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	SPI General	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		
Taiwan	Weighted Pr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Thailand	Bangkok SET	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Turkey	IMKB Nat 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Venezuela	IBC	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zimbabwe	ZSE Industrial	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WORLD	FT/S&P World	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	MS Capital	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		
CROSS-BORDER	Eurotrack 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	FTSE E300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		
	HSBC JC Drgn	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		
	ING Brngs Emrg	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		

** Sat Sept 20: Taiwan Weighted Price 8201.21; Korea Comp Ex 679.97. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Sep 24 - 4150.95 +59.18. † Correction. * Calculated at 15.00 GMT. ♣ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation. Yields and P/E ratios are based on Datastream Total Market indices. ♣ Midsession.

NASDAQ NATIONAL MARKET

3:30 pm September 24

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMEX PRICES

3:15 pm September 24

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

EASDAQ

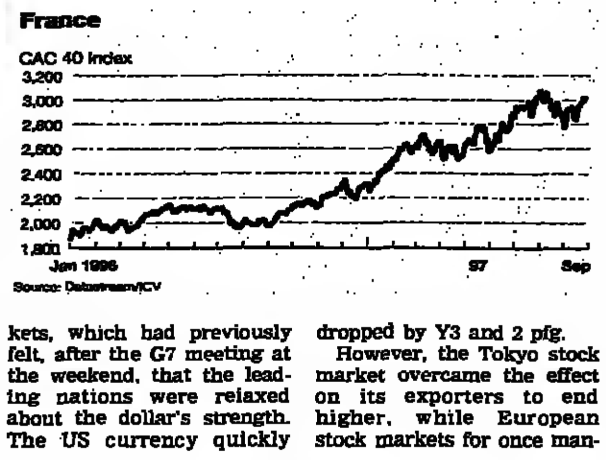
[illegible]

Company	Mid price	Change on day	Volume	High	Low
[illegible]					

[illegible]

Currency movements influence markets

WORLD OVERVIEW



Currency movements were again a strong influence on many world stock markets yesterday as the dollar weakened against both the yen and the D-Mark, *writes Philip Coggan.*

Japan's "Mr Yen", Eisuke Sakakibara, sounded a warning against excessive falls in the Japanese currency while Hans Tietmeyer, the Bundesbank president, said Germany would do everything possible to stop the D-Mark from depreciating.

The two comments prompted a change in mood in the foreign exchange markets, which had previously felt, after the G7 meeting at the weekend, that the leading nations were relaxed about the dollar's strength. The US currency quickly dropped by Y3 and 2 pfg.

However, the Tokyo stock market overcame the effect on its exporters to end higher, while European stock markets for once managed to shrug off the weaker dollar and end mostly higher.

Indications that German inflation dropped to 1.8 per cent in September helped sentiment, reducing fears that the Bundesbank would need to raise interest rates. The Dax index rose 1.45 per cent in post-bourse trading.

"The main impulse behind the European markets in the first half of the year has been the appreciation of the dollar" writes the European team at BZW in its latest note. "So the dollar-sensitive markets [Switzerland, Holland and Germany] have performed best. This story is probably over.

"The next game is likely to involve domestic growth and interest rates," adds BZW. "It's difficult to get excited about either in most of core Europa. Monetary policy may come in a little bit lighter than the market expects but the risks are that growth will disappoint. But Italy – if the country makes it into Emu, particularly in round one – would look exciting on both counts."

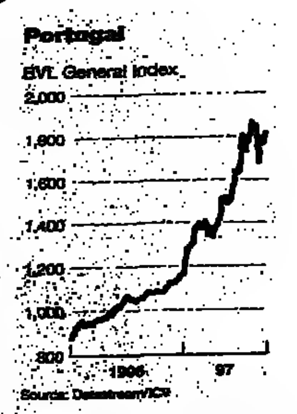
There was plenty of other news to take investors' minds off the currencies. In France, attention was obviously focused on the budget, although many of the details had been trailed in advance. The government forecast that the economy would grow by 3 per cent in 1998 and the budget deficit would drop to 3 per cent of GDP that year. The CAC 40 continued its rebound from its August losses.

In New York, the $9bn purchase of investment bank Salomon Brothers by Travelers caused another round of takeover speculation in the financials and helped the Dow Jones Industrial Average regain the 8,000 level during European trading hours.

London market, Page 30

EMERGING MARKET FOCUS

Portugal looks to integration



After two years of record gains, fuelled mostly by falling long-term interest rates, the Lisbon stock market is counting on Portugal's greater integration into Europe to provide further progress.

Analysts forecast that the BVL-General index, which has risen 56 per cent since January after gaining more than 30 per cent in 1996, could increase a further 15 per cent by tha end of the year.

Furthar solid growth is expected in 1998, based on a consensus that Portugal will comfortably meet the criteria for being a founder member of European economic and monetary union. Economic growth is forecast at 3.5 per cent or more this year, well above the EU average.

Making the grade for Emu is expected to have a strong impact on Portugal's short-tarm interest rates, where a from the present 5.3 per cent decline to 4 per cent is widely expected by the time the first Euro participants are selected in mid-1998.

According to analysts, this is likely to speed up the transfer of funds from bonds into equities. Since January 1996 the differential between German and Portuguese 10-year bond yields has narrowed from 350 basis points to about 60 basis points.

"The fall in short-term rates will create further liquidity to be channelled into equities," says Diego Hernando of Lisbon brokers Midas. "The net cash flow into shares will remain strong."

Other developments are adding to the buoyancy. Lisbon officially makes the transition from an emerging to a small developed European markat on December 2, when it will be included in Morgan Stanley's MSCI Europe index.

The reclassification reflects the strong growth of the stock market, where capitalisation has increased threefold since 1991 to $32bn for equities alone. Equity turnover has grown 10 times over the same period, reaching a monthly average of $1.5bo this year.

Half of this growth stems directly from Portugal's privatisation programma, which is one of the most extensive in Europe. Privatisation issues raised a record Es464bn in 1996, equivalent to 3 per cent of GDP, and are expected to bring in a further Es730bn this year.

This has stimulated international interest. Foreign investors increased their net holdings of Portuguese equities by $1bn in the first half of this year and account for abont 35 per cent of trading volume.

A secondary offering of 26 per cent of Portugal Telecom, worth $2bn at current prices, now under way, and an initial public offer of about 30 per cent Brisa, a motorway operator, due by December, are seen as attractive entry points for new foreign investors.

Portuguese equities are not cheap on a price/earnings ratio of 20 times 1997 earnings. Bnt Mr Hernando, for one, believes Lisbon is not overvalued when compared with previous periods of sharply falling interest rates.

Peter Wise

Dow gains on $9bn bid for Salomon

AMERICAS

An agreed $9bn takeover for top Wall Street bouse Salomoo Brothers plus firmer Treasury bond prices sent blue chips and financial stocks higher in morning trading, *writes John Labate in New York.*

News of the takeover of Salomon by the Travelers Group sent the former up $7⅞ or nearly 10 per cent at $78¾, while Travelers slipped $1⅛ to 70\frac{11}{16}$.

"The psychology of the market doesn't think this merger mania is over," said Arthur Hogan, senior equity trader at Morgan Stanley in New York. Shares of other financial groups receotly subject to bid rumours rose in the wake of the Salomon deal. "This suggests that another major deal may not be far off," said Mr Hogan.

Donaldson, Lufkin & Jenrette surged 2\frac{15}{16}$ or nearly 5 per cent at $65⅞ while Lehman Brothers Holdings rose $1¼ at $50¼.

The Dow Jones Industrial Average, which had moved above 8,000 earlier in the day, was 23.83 higher at 7,993.89 at 1pm. The broader S&P 500 index rose 3.13 at 955.06. Smaller stocks also moved higher with the Russell 2000 index gaining less than a point at 450.02. Major risers in the Dow included AT&T, up $1⅛ at 45\frac{13}{16}$ and Hewlett Packard, which gained 1\frac{7}{16}$ at 71\frac{11}{16}$.

Bond prices rose prior to the afternoon auction of $11.5bn in five-year notes. By midday tha benchmark 30-Year Treasury bond was up $\frac{11}{32}$ to 100$\frac{21}{32}$, sending the yield down to 6.330 per cent.

With bonds higher, banking stocks gained ground as the BKX index of the Philadelphia Stock Exchange rose 1.26 per cent at 727.75. Barnett Banks, which announced it would take a third-quarter charge for its stock option plan, gained $2⅝ at $73½.

Mixed results in the technology sector sent the Nasdaq composite index modestly higher, rising 3.59 at 1,700.95. Chip stocks were weaker. Intel lost $1⅜ at $97⅛ and Microsoft $1⅛ at $134¼. Micron Technology continued to fall, dipping $1⅝ at $35⅝. Amazon.com, a recent favourite among investors, slid 2\frac{3}{16}$ at 52\frac{3}{16}$.

TORONTO tracked Wall Street through a morning of relatively light trading. Most leaders moved higher with good gains showing among banks and at drinks and entertainments leader Seagram, which announced the renewal of its share buyback programme. At noon, the 300 composite index was up 19.37 at 7,033.60.

Banks led the way up. Royal Bank of Canada gained 55 cents to C$58.65 and Bank of Montreal added 50 cents at C$59.90. Toronto-Dominion Bank rose 30 cents to C$47.60. Using a better day for the bullion price as a springboard, golds also improved. Barrick and Placer Dome both put on 20 cents, rising to C$30.56 and C$22.55 respectively.

Seagram, which plans to extend its share buy-back plans for a further year, gained 30 cents to C$50.35. Among high techs, BCE added 45 cents at C$42.70 and Northern Telecom C$2.20 at C$148.20. Newbridge Networks rose 35 cents to C$88.05.

Software group Corel stood out among second liners, dipping S cents to C$6.90 in advance of third-quarter results.

Caracas slips early on

CARACAS ran into profit-taking after the solid gains of tbe four previous sessions, which culminated in an all-time high on Tuesday. "There are no surprises in this. Tha locals have been pocketing their recent winnings and there been some foreign selling too," said one broker. At midsessioo the IBC index was off 125.98 or 1.2 per cent at 10,691.15.

MEXICO CITY moved higher as the buyers showed signs of wanting to return after Tuesday's mild selling pressure. The IPC index was up 27.10 at 5,285.62 at midsession. Index heavyweight Telmex gained 32 ceotavos to 20.10 pesos. In financials Bancomer added 4 centavos to 5.46 pesos and Banamex pnt on 30 centavos to 24.10 pesos.

SAO PAULO gained ground early. At midsession the Bovespa index was 101 higher at 11,617.

Paris rides out Sanofi storms

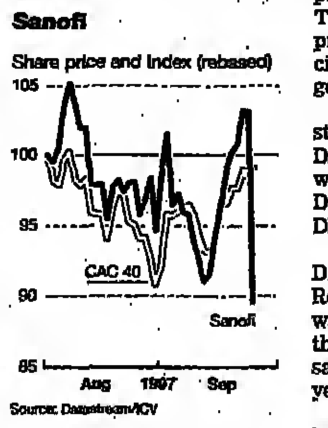
EUROPE

Shares in PARIS put aside a dramatic shake-out for drugs leader Sanofi to move ahead on a broad front with sentiment underpinned by confirmation of an expansionary budget.

In the most active session for some weeks, the CAC 40 index finished with a gain of 26.54 to 3,023.77. Volume fell just short of 17m shares.

Just after the opening bell Sanofi announced that it was abandoning plans to seek authorisation in the EU and North America for its Skelid anti-osteoporosis drug and tha shares practically fell apart at the seams.

Hit by a raft of instant broker downgrades, they plunged to FFr533 before settling FFr83.00 or 13.1 per cent lower at FFr552. At 2.2m traded, volume set a record. Elf Aquitaine, which controls the company, added FFr6.00 at FFr811 after trailing by 3 per cent at one stage.



"This is as big blow for Sanofi. If all had gone well for Skelid, the drug could well have racked up sales of $500m in a peak year or roughly 25 per cent of total Sanofi turnover in 1996," said one sector analyst.

Usinor surged after CS First Boston raised its earnings estimates for the steelmaker and upgraded from "buy to "strong buy". The shares jumped FFr5.10 to FFr119. Motor components leader Valeo rose FFr22.1 or 6 per cent to FFr389.6 following an upbeat investor presentation.

Schneider was a strong market in the wake of better than expacted intarim results, adding FFr12.50 at FFr363.5. Air Liquide rose FFr41.00 to FFr976 ahead of today's interim statement. Tuesday's weak results continued to depress LVMH, which came off FFr11 to FFr1,283 for a two-day decline of nearly 9 per cent.

FRANKFURT was sharply higher in late electronic trade on the back of Wall Street's gains and a firmer domestic bond market. The Ibis-indicated Dax index picked up 59.18 to 4,150.95 as the market digested a newspaper report quoting Hans Tietmeyer the Bundesbank president, saying the depreciation of the mark was not good for Germany.

The carmakers performed strongly. Daimler-Benz rose DM5.45 to DM144.20, Volkswagen picked up DM21 to DM1,226.50 and BMW was up DM36.20 at DM1,404.20.

Deutsche Bank ended up DM1.60 at DM116.20 after Rolf Breuer, the chairman, was quoted as saying that the bank planned to make savings of at least DM1bn a year.

AMSTERDAM edged lower, with steel group Hoogovens racking up tha heaviest fall among leading stocks. The shares fell Fl 1.70 to Fl 126 and tha AEX index ended down 3.25 at 905.89.

Selected publishers continued to gain ground, with Wolters Kluwer up Fl 5.40 or 2.2 per cent at Fl 249.50. DSM rose Fl 3.50 to Fl 193 ahead of this week's presentation to analysts.

Luxury goods gronp Gucci fell Fl 19.00 to Fl 96.50 after warning that difficult market conditions would restrict second half growth. The announcemant prompyted Morgan Stanley downgraded from "strong buy" to "neutral".

ZURICH, flat on the day, was enlivened by individual restructuring themes at Nestlé and CS Holding. The SMI index finished 2.1 higher at 5,732.5

Nestlé registered added to Tuesday's SFr47 rise with another of SFr11, taking the shares to SFr2,052, after a well-received presentation to investors in Naw York by Peter Brabeck, the new chief executive, on Tuesday evening.

CS Group rose SFr3 to SFr198.50, extending its rise over the past 10 sessions to 11.5 per cent as the planned merger with Winterthur Insurance won investor approval. Winterthur, up SFr25 at SFr1,431, extended its rise over the same period to 10.6 per cent.

Novartis suffered from the lowar dollar and from switching into rival Roche. Novartis lost SFr26 to SFr2,269, while Roche certificates closed SFr90 higher at SFr13,460.

SAir Group, parent company of Swissair, was a clear outperformer, rising SFr42 to SFr1,960. The stock was actively traded after a parliamentary vote to maintain the company's existing concessions for scheduled flights until 2008.

MILAN pressed ahead, led by gains in telecommunications and bank shares. Tha real-time Mibtel index finished 151 higher at 15,939 but the Comit index turned back to close 4.56 lower at 991.84.

Compart jumped L55.3 to L984.4 on speculation that it planned to reorganise its snbsidiaries, which include La Fondiaria. The insurer's shares soared L556 to L9,598.

Stefanel jumped L151 to L3,168, extending its rise over four sessions to 21 per cent, as Standard & Poor's MarketScope recommended the export-oriented clothing company and set a target price of L4,000 in 12-15 months.

Financial services group Mediolanum rallied L1,885 to L26,882 on news that consolidated profit rose 39 per cent in the first half.

Banca Fedeuram extended its advance over nine sessions to 25 per cent, although analysts noted that the L39 rise on the day to L7,597 suggested that its rally was slowing.

Johannesburg was closed for a public holiday

ISTANBUL pressed further into record territory.

Tha IMKB National-100 index closed 74 or 3.1 per cent higher at 2,487, extending the rally since tha start of the month to 25.6 per cent. The index hrushed a trading high of 2,504 in late trade.

Written and edited by Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices — European series

September 24

National & Regional Markets	Ecu index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	974.45	+0.29	+2.81	2.29	0.00	978.38
FTSE Eurotop 100	2283.22	+0.42	+9.69	–	–	–
FTSE Eurotop 300 Regions						
300 UK	959.43	–0.45	–4.30	3.23	0.00	986.75
300 Ex-UK	983.86	+0.71	+6.94	1.76	0.00	985.83
300 Eurobloc	972.30	+0.86	+8.32	1.96	0.00	975.24
300 Ex-Eurobloc	976.81	–0.11	–1.12	2.51	0.00	981.46
FTSE Eurotop 300 Economic Groups						
Resources	998.34	+0.14	+1.42	4.60	0.00	1008.05
General Industries	1001.03	+0.87	+8.60	2.28	0.00	1002.34
Consumer Goods	937.49	–0.26	–2.45	3.12	0.00	940.19
Services	965.68	–0.02	–0.17	5.52	0.00	969.07
Utilities	969.08	+0.21	+2.03	5.55	0.00	974.62
Financials	977.46	+0.44	+4.30	3.64	0.00	981.70

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved.

Tokyo finishes higher again

ASIA PACIFIC

Tokyo rose for the fourth consecutive session on active buying of blue chips, *writes Gwen Robinson.* The Nikkei 225 average gained 218.78, or 1.2 per cent, to close at the day's higb of 18,420.06.

With the market closed on Tuesday for a national holiday, yesterday was the final trading day for September delivery, and domestic investors continued selling high-priced issues to take profits before the September 30 book-closing period.

However, robust buying by brokers, foreign investors and public pension fund managars beiped the 225 average recover from a flurry of selling of blue-chip exporters following the yen's mid-morning surge against the dollar.

Voiume rose from 476m to an estimated 489m sbares. The Topix index of all first-section stocks gained 21.65 to 1,424.17 and the capital-weighted Nikkei 300 was up 4.82 or 1.7 per cent to 280.50.

High-techs were the day's winners. Advanteat rosa Y800 to Y12,200, Sony Y600 to Y11,500, Tokyo Electron Y240 to Y7,560 and TDK Y600 to Y10,700. Electricals were mixed. Hitachi fell Y20 to Y1,100 and Sharp sbed Y20 to Y1,150 on talk of poorer than expected earnings.

Carmakers did weli. Toyota rose Y40 to Y3,760 and Honda hit a record intra-day higb of Y4,460 before ending at Y4,380, up Y100. Bridgestone also hit a new intra-day high, rising to Y3,020 before finishing at Y3,010, up Y50.

In Osaka, the OSE average gained 98.26 to 19,025.06 in voiuma of 162m shares.

JAKARTA rose for the fourth day running, breaking back above the 550 level following strong demand for index heavyweight, Telkom. The composite index gained 14.16 or 2.6 per cent to 553.65.

Brokers said Monday's interest rate cut by the central bank was the main driving force. Telkom bounced amid talk of tariff increases and following an overnight rise in New York. The shares rose Rp75.00 to Rp3,575. Loodon Sumatra gained more than 10 per cent to Rp4,000.

BANGKOK continued to gain ground. The SET index added 10.99 to 547.02 for a two-day advance of 4.5 per cent, although turnover stayed moderate at Bt3.5bn.

There was said to be steady buying ahead of the weekend parliamentary vote on a new draft constitution. A better day for tbe baht also heiped sentiment.

Bangkok Bank was the day's most active stock, adding Bt5 to Bt130. Dhana Siam rose Bt2 to Bt28.

MANILA clawed back mucb of tbe previous session's 2.2 per cent ioss after the central bank reduced banks' liquidity reserves requirement. The composite index rallied 27.37 or 1.3 per cent to 2,077.04.

Traders said worries about corporate loan defaults continued to unsettle sentiment. Inflation donbts were also beginning to resurface following Tuesday's fuel price rises.

HONG KONG edged ahead after a day of sharp swings in tbe main indax and in China-linksd issoes due to continued uncertainty in regional equity and foreign exchange markets.

The Hang Seng index closed 111.06 higher at 14,205.44, well off the day's high of 14,291.61, in turnover thet feli to HK$12.2bn.

Mainland Chinese markets rebounded as official commentaries set out to assuage fears of faster market expansion.

SHENZHEN's domestic A share index picked up 6.6 per cent after tumbling 7.5 per cent on Tuesday while ths bard currency B index picked op 1.07 points to 128.52. SHANGHAI's A shares jumped 8.7 per cent on the same assurances that the market would not ba flooded with new shares, while the B index rose 1.131 points to 75.900, having seen a 3.4 per cent gain earlier in the day.

THE CHEMICALS INDUSTRY

The chemicals industry makes a rod for its own back with reinvested profits fueling overcapacity, says **Daniel Green**

Little gain for self-inflicted pain

A senior executive of Motorola, the US electronics company, used to say life in the microchip industry consisted of three bad years and one worse. Chemicals industry executives might envy that lifestyle: in their business there are usually three terrible years for each bad year.

Last year was only considered a bad year. Experience suggests that not too long from now things will get worse, although where in chemicals that happens, and at what pace, is likely to vary widely.

This phenomenon is driven by cycles of international economic growth, by movements in input and product prices and by adjustments to industrial capacity. It has five stages:

● Stage 1; in times of economic growth, demand rises rapidly because chemicals are raw materials for other manufacturing industries. Profits rise more rapidly than sales because most of the costs of chemical production are in the capital invested in manufacturing plants.

● Stage 2; However, chemicals plants are of varying ages and efficiencies. Their owners continually try to improve them through technological improvements and they do that when they have spare cash. The result is that much of the profit earned during economic growth is ploughed back into the building of a new generation of manufacturing plants.

● Stage 3; This leads to a sharp rise in manufacturing capacity. As the new plants come onstream, the increase in capacity begins to depress prices. The profitability of some of the older, less efficient, plants is jeopardised.

● Stage 4: The wider economic cycle turns down. Manufacturers of consumer and industrial goods cut their orders of raw materials and chemicals' manufacturers reduce production in response. This further undermines the profitability of all but the most efficient factories.

● Stage 5; Hit by the double whammy of falling prices, thanks to overcapacity, and falling demand, as a result of the wider economic downturn, the chemicals industry lays off employees, closes older plants, restructures through mergers and acquisitions and waits for economic recovery.

Today, much of the chemicals industry is poised between stages two and three of this sequence.

This year, first half financial results have been mixed. Of the big three German companies, Hoechst and BASF disappointed investors while Bayer pleased them. In the US, there were more companies reporting higher second quarter sales and profits, such as DuPont and Dow Chemical, than those that did not, such as Eastman Chemical and Arco.

The reason for this inconsistency is that not all parts of the chemicals industry move at the same speed through the five stages and not all are at the same point in the sequence.

For example, demand for ethylene-based chemicals picked up rapidly last year. Ethylene is the main building block in petrochemicals and its manufacture is the most capital intensive part of the chemicals business. Its products, such as the various types of polyethylene, are used in film – for bags and sheets – and mouldings.

By the end of the first quarter of this year, ethylene prices had fallen sharply as new capacity came on stream. The decline was stopped over recent months by plant shutdowns for maintenance or because there had been accidental explosions. But chemicals industry analysts believe that prices will fall again soon as maintenance shutdowns come to an end and explosion-damaged plants are repaired. More factories are opening over the next 18 months, especially in the US and Asia. The outlook for interest rates is upwards and that increases the chances of economic slowdown.

And, in recent weeks, the ethylene price has fallen sharply again in Asia, where most of the new capacity is being built. Oil industry analysts at stockbroker Jardine Fleming are particularly bleak on the outlook for Asian petrochemicals. They point not only to "vast Asian expansion" in capacity scheduled for 1999, but currency weakness hurting companies with dollar denominated debt and "a rebounding oil price" which increases the petrochemicals industry's costs.

Elsewhere in chemicals it is possible to be more optimistic. Earnest Deavenport, chairman and chief executive of Eastman Chemical in the US, argues that ethylene-based industries are in much worse shape than his area, PET, the fast growing plastic that is a packaging alternative to PVC. PET is made from paraxylene, not ethylene.

He believes the PET cycle is at a different point to that of ethylene. The price dip has happened, so recovery is around the corner.

PET is fetching "in the low to mid fifties [cents per pound]," he says. This is sharply up on the recent lows of around \$0.40 but still well below the last peak of about \$0.80, hit in 1995.

His optimism may be short-lived. Now that the price is rising, the company may only be at stage one in the cycle. There are plenty of operating profits around but they are being spent on building new factories: Eastman's second quarter post-tax profit was down 20 per cent on the second quarter of 1996 and the company has already embarked on a programme intended to ensure that most of the new PET capacity being built is its own.

There is little solace for the industry in bulk (non-petro) chemicals or in fibres.

The textiles industry – fibres' customer – has had a tough time as production has drifted out of developed countries to regions which combine low labour costs with reliable skills and infrastructure, such as east and south-east Asia.

Construction has had a patchy recovery which, in turn, has limited demand for the bulk chemical titanium dioxide, an important ingredient in paint.

The most extreme response to the decline of bulk chemicals and fibres in Europe has come from the UK's Imperial Chemical Industries. ICI has re-invented itself as a speciality chemicals company by selling off its fibres and bulk chemicals (including titanium dioxide) businesses to DuPont of the US in July for \$3bn. That followed its May acquisition of the speciality chemicals arm of Anglo-Dutch consumer goods giant Unilever.

The theory is that speciality chemicals have a greater intellectual content than bulk or petrochemicals. For example, there may be patentable materials and processes and customers are prepared to pay a higher price for less widely-available materials.

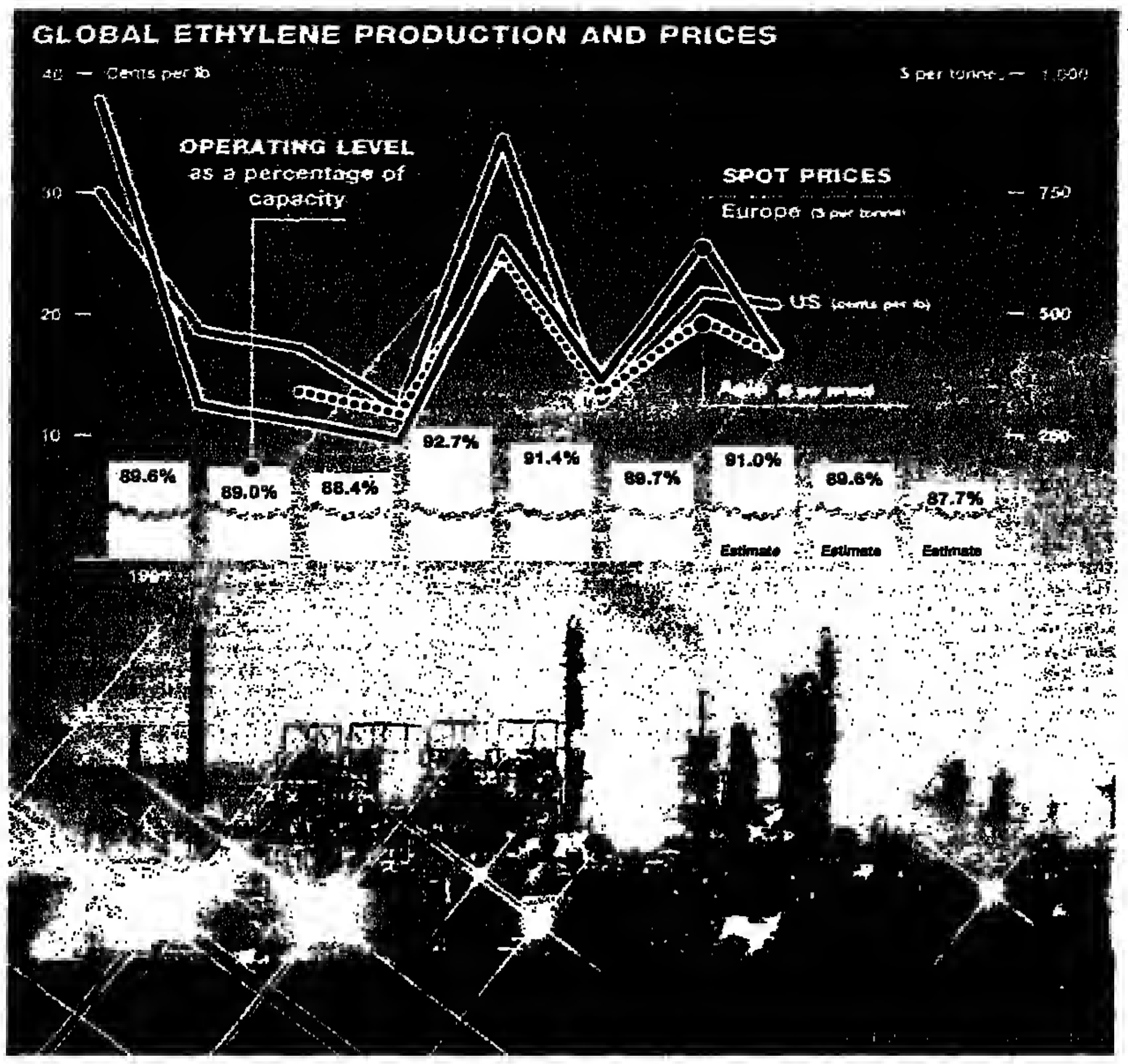
The disadvantage is that volumes are usually smaller, affecting the level at which profitability kicks in, and that many materials that are labelled "speciality chemicals", such as vitamins, have no intellectual content and are, therefore, as vulnerable to oversupply and competition as bulk chemicals.

This has been the problem facing Roche, the Swiss company, whose vitamin C business has been under sustained assault from producers in China.

ICI's strategy has won applause from investors, but Roche's experience shows that moving into specialities does not necessarily mean escape from the industrial cycle.

In chemicals, normality is painful and unpleasant. Relief comes in brief bursts of high profitability during which manufacturers contribute to the next bout of pain through enormous construction programmes.

It is possible to make money in chemicals but the real challenge is to to secure long-term fortunes. Most chemicals companies are already braced for the next downturn which may already have started in some parts of the world and in some types of chemical. Chemicals still inhabits a world where survival equals success.



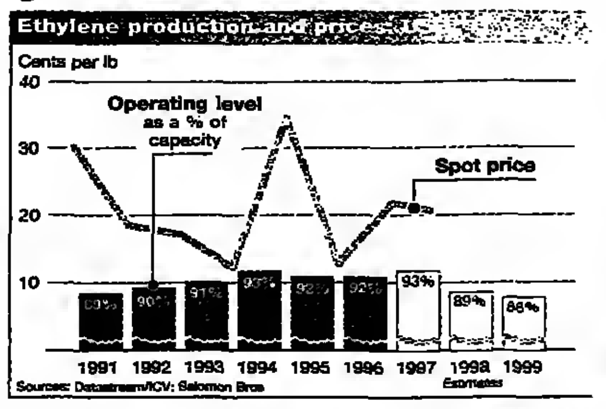
IN THIS SURVEY

Photo left: Science photo library

United States • by Tracy Corrigan

Ready when reality bites

US giants are prepared for the competition when the good times come to an end



For the last five years or so, the big US chemicals companies have had it all: a strong economy combined with aggressive cost-cutting and reshuffling of their businesses have produced steady earnings growth.

"Most businesses have kept costs down by cutting head count and closing inefficient plants. They have generally done a good job of restructuring and cutting costs but part of their increase in earnings is explained by the 6-7 year economic expansion," according to Mr Chris Willis, chemicals analyst at Schroder in New York.

US chemical producers have led a trend for focusing their businesses which their European peers are now pursuing. "US companies have been reshuffling their portfolios for at least five years," says Mr Willis. The trend, he says, is not necessarily to focus on speciality chemicals with their higher margins, though some firms have taken this route, rather, the key is "to focus on increasing strength in core businesses and divesting underperforming businesses".

One example is DuPont, which sees itself as a commodities chemicals business with a strong global position in all its main areas. This explains why DuPont was willing to buy Imperial Chemical Industries's pigments and polyesters businesses for $3bn in July - even though these were businesses which ICI was keen to get rid of in its pursuit of higher-margin speciality businesses.

"ICI has chosen to move towards the consumer end of the business," said Mr John Krol, DuPont's chief executive officer at the time of the acquisition. "Our strategy is to take some of our businesses, where we have a strong position and low cost base, global."

DuPont's restructuring of its businesses in the last four years - it had already bought ICI's nylons business in 1993 - has left the group with "16 or 17 businesses most of which are very strong globally," Mr Krol added.

Dow Chemical, the other US chemicals giant, has also streamlined its portfolio in recent years. According to Mr Willis, the company has in addition "reined in its capital programme significantly" and is doing "more joint-venturing". US chemical companies have been active in cost-cutting, with most companies embarking on aggressive programmes aimed at taking hundreds of millions of dollars of costs out over a period of years. This has helped the companies cope with the inherent cyclicality of their businesses - albeit in a strong global economy.

"One of the things that has helped us is that, years before the Europeans, we were looking at cost-structure and doing a lot of downsizing," says Mr Earnie Deavonport, chairman of Eastman Chemical, whose directly employed workforce has shrunk to around 17,000 from a peak of more than 18,000. Like other companies, however, Eastman has made increased use of outsourcing in recent years and 20,000 are employed if the increasing number of contract workers is included.

US chemical companies have led the way in the use of benchmarking techniques both for controlling costs and improving productivity. Eastman tries to be in the top three in general administration costs as a percentage of sales and many European companies now also use these techniques.

Most chemical companies have also embarked on long-term cost-cutting programmes. The latest programme at Eastman, called Advantage Cost 2000, started in 1996 and aims to take out $500m of costs by the year 2000.

The moves are in anticipation of the new threats facing US chemical companies as the industry becomes increasingly global. Consolidation may help cut costs but new companies are sprouting up in other countries, particularly in Asia, and these are set to add capacity and so chase down prices.

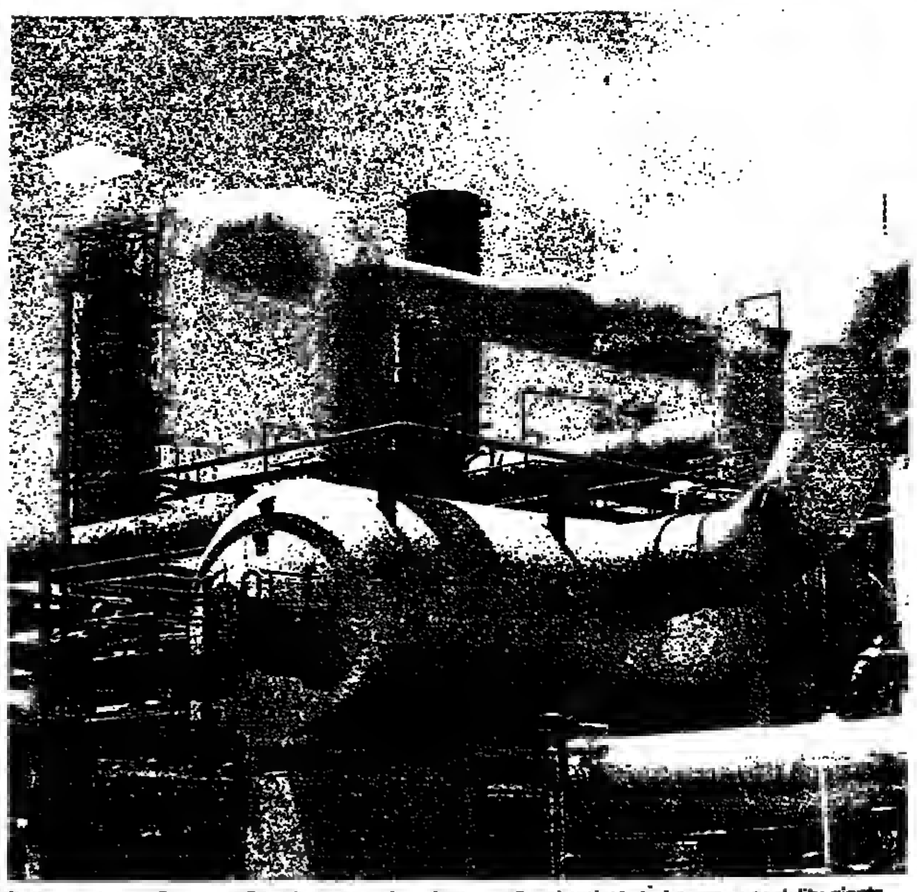
Figures from the Federal Reserve Board and the Bureau of Labor Statistics show that productivity levels in the US chemical industry substantially increased in 1996. With all indexes based at a 1992 level of 100, the data shows that the productivity index for chemicals and allied products increased by 5.1 per cent last year to 108.8, while the government's index of aggregate hours of production decreased by 2.7 per cent to 100.1. As a result, unit labor costs in the year declined by 1.4 per cent, in spite of a 3.6 per cent increase in hourly production wages for chemical workers.

Despite their strong recent record, US chemical companies are likely to be tested in the next few years. Many analysts believe that the ethylene cycle is peaking, or will peak in 1998, so companies could face a cyclical downturn soon. And, with unemployment at record low levels in the US, keeping costs down could prove more difficult in future.

As a result companies are likely to continue shuffling their businesses, partly in an effort to please Wall Street, which is keen to see companies maximise earnings in the short term.

"The amount of reconfiguring of portfolios is unprecedented. There is more going on than I have ever seen," says Mr Deavonport. "Companies having set porfolios and staying with them for years and years is a thing of the past."

The result is likely to be that speciality businesses become more specialist while the commodity businesses become increasingly focused.

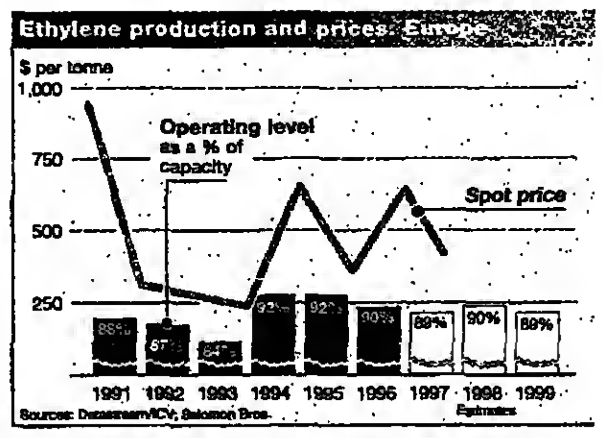

Bulk movement: European firms have abandoned commodity chemicals to become speciality giants


Focus group: US firms have strengthened core businesses, such as paraxylene, and ditched any that underperform *Science Photo Library*

EUROPE • by Roger Taylor

Everyone a specialist

Europe's giants are turning to premium markets in search of higher margins



Speciality (or specialty in the US) is the buzz-word to bandy about if you are in the chemicals business these days. Being identified as a speciality chemicals business can do wonders for your share price, as ICI found after recreating itself with the £4.9bn acquisition of Unilever's speciality businesses earlier this year.

Its shares leapt from 688p to a high of more than £11.00 as the company transformed itself from a manufacturer of commodities to a speciality group. Since then, however, they have fallen back again as investors began to question whether being in specialities will be the cure-all it is held up to be.

Interest in specialities has been generated by the recent creation of a new class of large chemicals businesses which intend to exclusively concentrate on this sector of the market rather than the commodity chemicals.

ICI, after its reorganisation, is one. Others include Clariant, which was created from merging parts of Sandoz of Switzerland with parts of German group Hoechst, and Ciba Speciality Chemicals, spun out of Novartis.

The definition of speciality as opposed to commodity chemicals is not precise. At one end of the scale are the pure commodities such as titanium dioxide or polyethylene, where the output of different producers is indistinguishable and the price fixed in the market.

At the other extreme are complex compounds designed for and produced exclusively for a single customer, such as many pharmaceutical intermediates. And in between are a range of more or less differentiated products which allow the manufacturer to charge a premium.

The key feature of speciality products is that they should require technical expertise which creates high barriers to new entrants and allows the manufacturer to charge higher margins. Such products should avoid the excessive price fluctuations associated with commodity products.

The big speciality companies see an opportunity in their fragmented market by driving rationalisation through acquisition. They aim to offer a global specialities service.

Laporte of the UK is typical of this approach. It is concentrating on high growth markets, such as pharmaceuticals and electronics, which require specialised chemicals and have global customers.

So far, investors appear to have bought the story that investment in specialities can transform dull old low-margin cyclical chemicals companies into faster growth companies with better quality earnings.

The trouble is very little has been demonstrated to support this in practice.

Most of the large speciality groups have come into existence simply by shuffling assets around. Clariant and Ciba are the result of spin-offs and mergers. The new ICI was created by selling off industrial businesses and buying specialities. Similarly, Laporte has sold off its less profitable bits and now plans to reinvest in higher margin operations.

These companies have yet to show they have the management capability to run a speciality chemicals business for the long term.

As Robert Davison of Gemini Consulting points out, the talents required to do this are very different from the traditional virtues of the good chemical company manager.

In the past, chemical companies have competed on price by focusing on production efficiencies and success has come to those which can run the most cost effective manufacturing plants.

The result of this has been to drive down prices and encourage customers to see products as interchangeable. As the technology becomes more widespread over time, what was once an expensive and innovative speciality product ends up being another commodity.

"The chemicals industry has a bad record for creating value rather than commoditising its output," explains Mr Davison. "Playing in specialities is a different game and presents a challenge to management teams. They need to show they can control the development process rather than just react to it."

Mr Davison argues that the new companies need to identify where products are increasingly becoming commoditised and run these businesses for cash - cash which must then be reinvested upgrading their product range and creating the next generation of higher margin specialities.

Staying ahead of the commodity crowd is the key.

ICI is perhaps the most obvious example of an unproved speciality chemicals company created purely out of asset restructuring. It is selling off its commodities businesses - titanium dioxide and polyester have already gone to DuPont for $3bn, fertilisers and explosives will follow – and has bought in a range of speciality businesses in food ingredients.

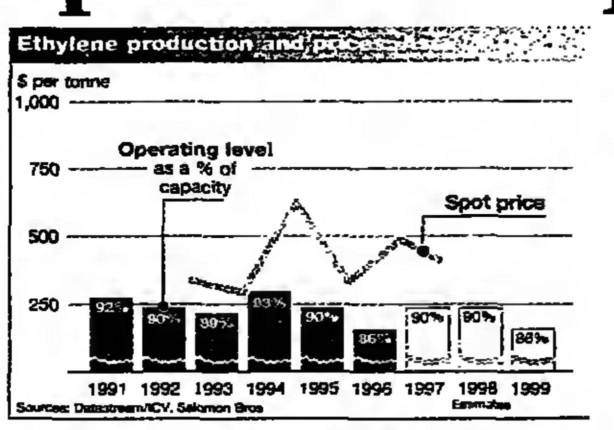
Dresdner Kleinwort Benson argues that the stock market is putting too much weight on the potential and not enough on the history of the company, which has yet to demonstrate any ability to run its new business. It has suggested the right price for the shares should be closer to 800p rather than their current price of about £10.00.

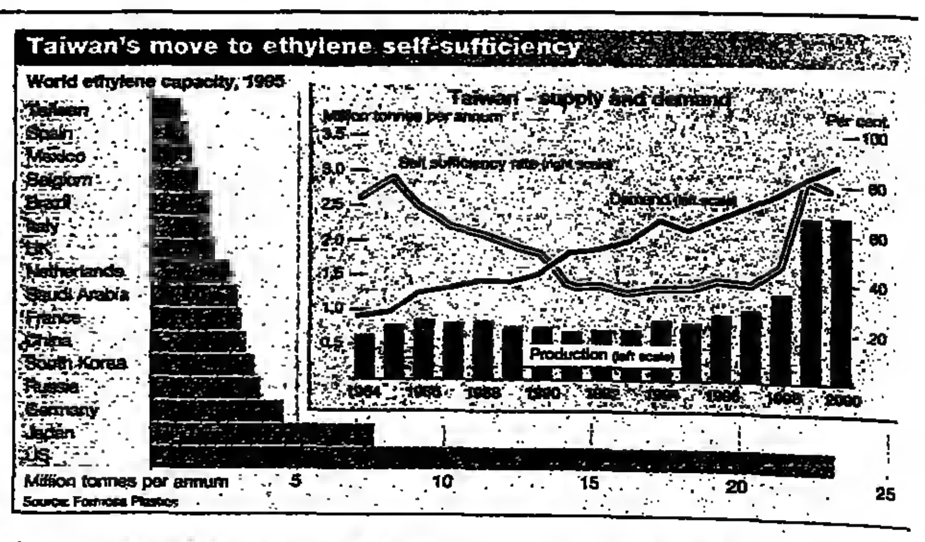
The nightmare scenario is that instead of creating a new generation of strong growth, technology led business, the new breed of speciality chemicals companies bid against each other to buy up today's high margin businesses at excessive prices only to preside over their conversion into yet more low growth, cyclical commodity businesses.

ASIA • by Laura Tyson

Tigers on the petrochem prowl

The industry's new Asian giants are looking overseas for further growth





When it comes to a commodity product such as petrochemicals, big is beautiful. Asia is in the midst of an unprecedented capacity build-up in the petrochemical industry, and setting the pace are new powerhouses such as Taiwan's Formosa Plastics and India's Reliance Industries.

But industry analysts say that with demand growth slowing following the economic troubles that have hit many south-east Asian countries in recent months, the region's petrochemical industry is entering a consolidation phase. Bigger companies with strong financial backing are likely to flourish and weaker players may not survive.

With supply expected to rise, the established Asian petrochemical companies are entrenching against tougher competition and the rest are seeking to develop fully integrated business operations and secure a steady supply of raw materials. Many are also looking to expand overseas, through investment or acquisition, due to constraints on expansion at home or to be closer to their export markets, some of which impose high tariffs on imports.

"Taiwan's self-sufficiency in petrochemical raw materials is very low. It is often difficult to find such materials and the price is too high," says Mr C T Lee, executive vice president at Formosa Plastics, Taiwan's biggest private sector industrial concern. "We need a stable supply in order to give our downstream customers a reasonable price."

To integrate its operations and lower costs through mass production, the Formosa group is building a T$300bn (US$10.5bn) petrochemical complex on Taiwan's east coast. Scheduled to begin operations later this year and to be fully running by the end of 1999, facilities will include a crude oil refinery, a naphtha cracker, two electricity plants (one a co-generation plant for internal use), an industrial harbour and 25 factories producing a host of petrochemical products. The project, plus an expansion in ethylene capacity in Formosa's US operations, will make the group self-sufficient in ethylene by 2000, with a total worldwide capacity of 2.91m tonnes per year.

It will also make Formosa Asia's leading petrochemical company, with global ethylene capacity equivalent to 52 per cent of Korea's capacity and 42 per cent of Japan's.

Reliance Industries, India's leading petrochemicals concern, is investing aggressively to secure its leading position in India's large domestic market, where economic growth is strong as is demand for petrochemical products. The strategy has been so effective that it is "scaring away" smaller domestic producers, some of whom have sold out to petrochemical companies from Korea and elsewhere, according to Tommy Tang, an industry analyst at Merrill Lynch.

In March 1997 Reliance commissioned a giant ethylene cracker with a capacity of 750,000 tonnes per year, the world's biggest. With the commissioning of an oil refinery, Reliance will be the only petrochemical company in the world to be fully integrated from crude oil to fabrics. The company has more than doubled its polyester capacity with a similar increase in purified terephthalic acid (PTA). It has tripled its polymer capacity and expanded in other products as well. The added output will replace imports, which are discouraged by relatively high tariffs.

Taiwan's Tuntex group, a petrochemicals-to-hotels conglomerate, got its start in textiles, moved upstream into man-made fibres and is now aggressively trying to expand its business into raw materials in an effort to fully integrate its operations. Tuntex is already one of Asia's biggest producers of polyester fibre and is expanding its capacity in PTA, a feedstock material for polyester. Tuntex's investments in Thailand include a venture with Siam Cement to build a naphtha cracker with annual capacity of 900,000 tonnes and an aromatics plant.

Wells Hsu, spokesman for Tuntex's petrochemicals arm, says: "We are facing rising competition at home so we are actively expanding our business overseas, especially in Thailand and China. But we have encountered many problems in China, so our business there is proceeding slowly."

Unreliable power supply has been one of the problems Tuntex has faced in setting up plants in the region's biggest importer of petrochemicals.

Tuntex also faces obstacles in Taiwan, where the environmental movement has grown powerful since the advent of democracy in the last decade. Tuntex has plans to build a T$280bn oil refinery complex in the southern county of Taiwan, but the controversial project has been stalled at the environmental assessment stage due to protests from local residents. Industry analysts say it will probably be a decade before the planned complex can be built if it eventually gets government approval.

In addition to economies of scale, the main strength of Formosa Plastics is its ethylene production complex in the US, where the cost of raw materials is substantially lower than it is in many Asian countries. For example, the cost of chlorine, a key raw material in the manufacture of pvc, is much lower in north America because the production process is electricity-intensive and electricity costs are lower in the US. Formosa is able to use this cost differential to its advantage by integrating its Taiwanese and north American operations and shipping raw materials back to Taiwan to make polyvinyl chloride (pvc), of which Formosa Plastics is one of the world's biggest.

Companies in the Formosa group have expanded into China, mainly following its downstream customers as they moved across the Taiwan Strait due to soaring production costs in Taiwan. But the dream of building a large-scale upstream refining complex there is being held back by the Taipei government and sour relations with the mainland. "We're still very interested in building a big petrochemical complex in China but the political climate is not good at this point," Mr Lee says.

Expansion, vertical integration and diversification are the paths Asia's most successful petrochemical companies are taking, with the possible exception of niche producers such as Taiwan's Chi Mei, the world's biggest producer of abs. But even Chi Mei is looking overseas, with a US$100m investment project in China on the drawing board as well as beginning a joint venture with a Korean producer to make styrene monomer.

"Weaker companies will have trouble surviving, especially those without the backing of a big group or a foreign alliance, or a cheap source of raw materials," says Mr Tang.

SCIENCE • by Clive Cookson

Fertile imaginations

Nanochemistry, chemicals' most exciting field, may not blossom for 50 years

In practical terms, chemistry has undergone two great flowerings over the past 100 years – both during the middle part of the century. One was the development of plastics and the petrochemical industry. The other was the application of organic chemistry to drugs, leading to the pharmaceutical industry.

Both are fine indnstries with huge growth potential left in them. However, while petrochemicals and plastics remain at the heart of the chemicals industry, the position of pharmaceuticals is less clear.

Although biology and, particularly, genetics are moving rapidly into pharmaceutical research and development departments, the mainstream drug companies remain firmly founded on chemistry. And trade bodies such as the UK Chemical Industries Association still inclnde pharmaceuticals; their export statistics and growth rates would look much less impressive without drugs' contribution.

On the other hand, several large companies are taking steps to distance themselves from the "chemical" label, which they imagine has old-fashioned end rather dirty connotations. The unofficial slogan is: "Better be hlo."

A striking example is Hoechst of Germany. Two years ago, Hoechst was proud to be known as the world's largest chemicals group. Now Jürgen Dormann, the chief executive who is transforming Hoechst, says: "We do not want to be large any longer, nor are we a chemical company. We will be seen more and more as a life sciences company, with some chemical activities in the transitional period."

Such attitudes prompt the question: could chemistry defy tha deserters and flower for a third time on a scale to match plastics and pharmaceuticals? Let us examine some of the hot topics ln chemistry for signs of hope.

The most axciting new research techniqne of the 1990s is combinatorial chemistry. This is a way of generating a huge diversity of new chemical compounds, hy combining a fixed stock of molecular huilding hlocks at random through a planned series of reactions.

Combinatorial chemistry has taken pharmaceutical research hy storm. Every large company uses it in the discovery process, to make thousands of new compounds a week for testing in automated "high throughput screens". These are designed to detect signs of activity against hiological targets (such as enzymes or cellular receptors).

The technique is heginning to be applied in agrochemical research too, to identify compounds that might make useful pesticides or weedkillers. This month, for example, Novartis of Switzerland announced a three-year agreement with Chiron of the US to supply new chemicals, made by combinatorial chemistry, for possible use in crop protection and animal health.

Combinatorial chemistry may also have huge potential in other areas, including the production of new inorganic materiala. As Dieter Jahn, head of research planning at BASF of Germany, says: "The main barrier to using combinatorial chemistry outside pharmaceuticals is the lack of a system to test compounds in very small amounts."

One field in which combinatorial chemistry could create useful new compounds is homogeneons catalysis – speeding up chemical reactions in solution. There is scope too for making materials with interesting electrical properties, which could be tested in miniature electronic cells.

But combinatorial chemistry is a technique that will rejuvenate existing fields of chemistry rather than being a new application in its own right.

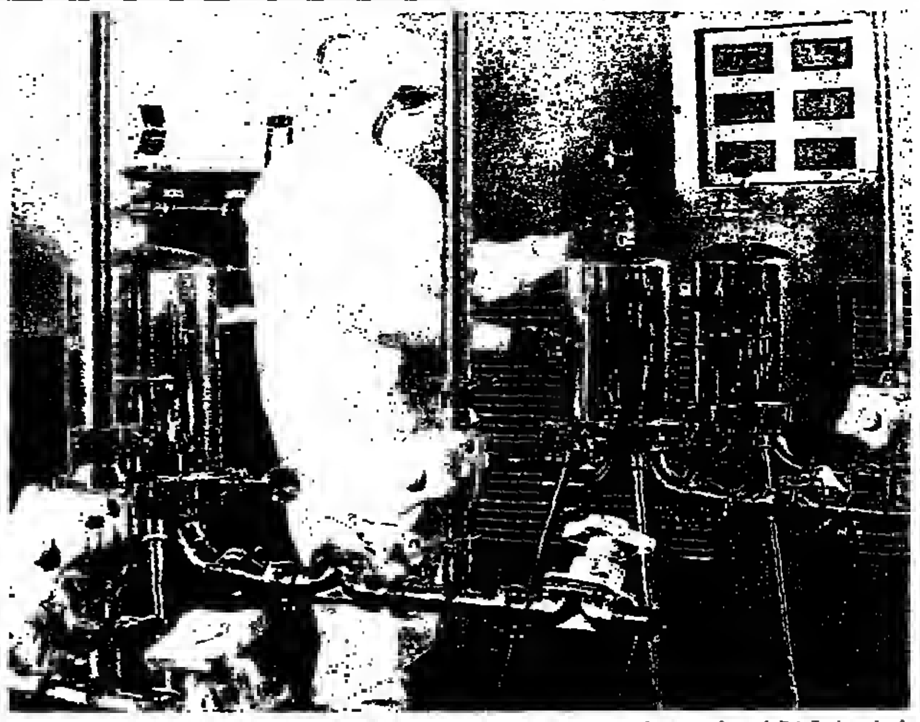
What other prospects are there? Two well-publicised discoveries of the mid 1980s, high-temperature superconductors and fullerenes, promise a wide range of applications in fields ranging from electronics and power engineering to medicine. But these are coming to fruition more slowly than the optimists were predicting five or ten years ago and it is hard to imagine either leading to new industries worth tens of billions of pounds a year.

The best bet for the longer term future may be nanochemistry. There has been a lot of speculation hy nanogurus such as Eric Drexler, Ed Regis and Ralph Merkle aboot microscopic chemical assemblers that will put together molecules, atom by atom, for purposes ranging from human food and medicine to clothing and building materials.

The fantasy sounds appealing. For example, every home will have its private "meat machina", an appliance about the size of a microwave oven. You shovel in waste materials such as grass clippings and discarded hits of plastic, close the door and fiddle with the controls. Some hours later, a piece of fresh prime "beef" rolls out. But the chemical details of achieving such a transformation remain sketchy.

Even so, some pioneers of chemical assembly such as Fraser Stoddart, who moved this summer from Birmingham University in the UK to the University of California, Los Angeles, have made molecules with the potential to work, for example, as nanoscale motors.

If nanochemistry does represent the next hig flowering of chemistry, it will not reach full hloom until the middle of the next century – 100 years after petrochemicals and pharmaceuticals. And by then it may he accompanied hy a companion field so radically new that we have not even dreamt of it.



Life style: the "better be bio" consensus is shifting the research emphasis away from "dirty" chemicals

INFORMATION TECHNOLOGY •

Remote possibilities

IT will be a vital ally if the industry is to meet the challenges of the next century

Supply and demand cycles, new competitors, ferocious restructuring, more sophisticated customers, globalisation. The light is dawning in the chemical industry that the tool it needs to deal with these challenges is not chemistry but information technology.

One of the best illustrations of this is the way in which the chemical industry, above all other manufacturing sectors, has embraced Enterprise Resource Planning systems (ERP). In 1996 almost 50 per cent of the revenues of the leading supplier of ERP software, SAP, cama from the chemical industry. Where once separate and often non-compatibla computer systems were used to control manufacturing, distribution, marketing and sales, the industry is adopting ERP packages which promise to provide one database, one application and one user interface across the organisation.

Consistent information from every function means better planning, monitoring and control, improving the chances that manufacturing output can he made to match customer demand. In other such as the electronics sector, ERP systems have made it possihle for an order, placed electronically by a customer, to trigger the manufacturing plant to produce the goods. in effect, the distribution chain is cut to a single link - there is no expensive inventory, no warehousing, no distributors and no sales people.

Chemical companies cannot turn manufacturing plants off and on in response to customer orders but ERP systems do help them to manage what they produce, for whom and when. They are also able to quote a delivery date when they take an order. This tighter linking between a customer order and the production plant makes it easier to see when aupply and demend are going out of kilter. This allows companies to preempt a downturn by looking for new markets, rather than waiting for it to hit and then reacting defensively by cost cutting.

Although it may never be possible for the chemical industry to match production levels with demand exactly, the information generated by ERP systems can help to run process plants more efficiently. For example, rather than fixing the schedule in advance, plant shutdowns for maintenance can be planned to tie into demand. Information on individual customer requirements also makes it possible to avoid quality give-aways - there is no point in producing chemicals which are 99 per cent pure, when 98 per cent would do.

With the chemical industry in a period of ferocious restructuring, ona of the potential benefits of ERP systems is that they can make it easier to extract the full value from mergers and aequisitions. This is because they are flexible enough to expand to take in new business and have the functionality to allow companies to move into new activities.

In helping chemical companies to shift the focus from the product to the customer, ERP systems are also laying the foundations for a rapid expansion of electronic commerce. While most chemical companies have been using electronic data interchange (EDI) for 10 years or so to handle orders and invoicing, this requires dedicated and expensive networks which meant they only set up links with partners where there was a pre-existing relationship.

The open standards and accessibility of the Internet mean that any company with a personal computer and a modem can now trade electronically. Small companies based anywhere in the world can compete on equal terms with the largest and most established multinationals, for a share of the global marketplace.

In common with all other sectors, chemical companies are testing the Internet waters by setting up stand alone Web sites advertising themselves and their products. A handful have become more aophisticated, linking product catalogues on their Web sites into order processing systems and allowing customers, both new and existing, to place orders via the Weh.

The next atage in the development of electronic commerce, not yet attempted in the chemical industry, will be to give trading partnars access to internal systems via the Internet. Customers and suppliers will be able to serve themselves with information on prices and delivery times and conclude business transactions online.

The chemical industry is not the first to recognisa that whereas hefora it needed IT to keep the process plant going, now it needs IT to stay in husiness. As in other sectors, this frightening dependency on a non-core skill is leading to a rapid growth in IT outsourcing. For example, in the UK the annual value of outsourcing contracts let by the chemical industry leapt from less than £5m in 1995 to more than £50m in 1996.

The largest IT outsourcing deal to date is in the chemicals sector. In December, 1996, DuPont signed a deal with Andersen Consulting and Computer Sciences Corporation worth a minimum of US$4bn over 10 years.

And, although the primary motive to outsource IT for the chamical industry has been to cut costs, companies now see that thay can draw on the skills of outsourcing vendors to help improve business processes, support restructuring and underpin the development of a global structure.

But whatever plans chemical companies may have for applying IT in eupport of business strategy, one of the greatest IT projects of the moment, the year 2000 computer date problem, will not advance their competitiveness. The high level of recent investment in ERP systems may mean this is less of an issue for the chemical industry than in other sectors which are dependent on lagacy mainframa systems. But the chemical industry does face the huge and costly problem of checking that embedded systems - the compnters and microchips used to control the operation of production plants - are year 2000 compliant.

Nuala Moran

Overcapacity in Asia is forcing European fibre manufacturers to reassess their business

Europe has to swallow high fibre diet

Viscose producers are placing their hopes, and resources, in new products

The European viscose industry has been squeezed by e combination of e market in terminal decline and competition from Asian producers paying low wages.

Manufacturers in Europe have had to scale down their high-volume viscose lines and move towards the production of speciality fibres which command greater profit margins.

World viscose production has fallen from just less than 3m tonnes in 1980 to about 2m tonnes today. "The market for viscose is in long-term decline," seys David Wilkinson, director responsible for fibres for Courtaulds, which last year produced 137,000 tonnes of viscose.

"The reason for that is inter-fibre competition. The growth and development of synthetic fibres has put pressure on viscose."

Demand for viscose rallied between 1992 and 1995 thanks to shortages of cotton and paraxylene, a chemical used in the manufacture of the fibre. Then the cotton price fell and the demand for viscose slumped in response. "The situation turned rapidly. Enough cotton was available and there were no shortages in special chemicals so demand for viscose went down world-wide," says Lenzing, the world's biggest viscose manufacturer, which last year produced 262,000 tonnes of the fibre.

Viscose circle: world production has fallen from 3m tonnes in 1980 to 2m in 1997 *Science Photo Library*

The effect of the fall in demand has been intensified by an increase in competition from Asian manufacturers. Asie eccounted for 49 per ceot of world viscose production last year, up from 29 per cent in 1991. "The pressure is again from the expansion of Asian capacity," says e chemicals analyst.

"The growing markets are in Asia and the lowest lebour and eovironmental costs are there as well."

In February Courtaulds reduced the annual capacity of its Grimsby plant by 25,000 tonnes, which represented 20 per cent of its total European production. The company blamed the move on overcapacity in Asia. Mr Wilkinson says: "Most recently we bave seen a shift in availability of the fibres because Far Eastern producers decided to expand. That has put a lot more pressure on prodncers elsewbere in the world."

Tbe European companies have responded by gearing their operations increasingly towards the prodnction of high-margin speciality artificial fibres. Mr Wilkinson says: "The capacity we took out was for very standard fibres - it was very much a commodity market. It was capacity we didn't need and it waso't profitehle so we took it down. The competition is much lower and the opportunity of selling et an acceptable price is much higher in the speciality markets."

Many non-woven fabrics, which account for between 35 and 40 per cent of the viscose market, are manufactured using techniques which low cost producers in countries sucb as Taiwan and Indonesia cannot emulate.

Lyocell, a new solvent-spun cellulosic fibre, seems to offer European producers the best chance of using cutting-edge technology to recoup business lost to Asia.

Better than viscose at retaining its shape and strength when wet, lyocell's waste solvent can be recycled, giving few waste prodocts.

Courtaulds and Lenzing have been racing to be the first to develop the new fibre. The two companies are currently engaged in a dispute over whether the dope-making part of the lyocell productioo process is protected by a patent which Lenzing holds. The patent was struck out in both the US and Europe but was later reinstated in the US pending an appeal by Lenzing.

Mr Wilkinson plays down the importance of the case to the battle for control of lyocell. "It's important but it's not a show-stopper," he says.

"We are quite a long way down the road and both companies recognise that if we can resolve our differences we can protect our technology from abuse."

Both Lenzing and Courtaulds are about to bring significant lyocell manufacturing capacity on line. Courtaulds plans to double its current annual production of 45,000 tonnes next year. Lenzing will open e 25,000 tonne capacity factory in Austria towards the end of next year.

But the companies have different plans for the long-term future of the fibre. Mr Wilkinson says: "It will, in our judgement, replace viscose in pretty well all its end uses because it's a better prodnct and, eventually, it will be cheaper in cash cost terms to make."

Lenzing sees a future for viscose in colourful clothes and high quality woven outer garments and underwear. It also thinks the European industry will be able to continue to profitably manufacture non-woven articles euch as tampons. "You need to have a very clean and controllahle production," it says. "This is one of the reasons why you don't expect viscose fibres from Burma to be used for tampons."

Lyocell currently sells at about twice the price of viscose. Lenzing thinks that differential will largely hold up as companies seek to recoup research and development costs.

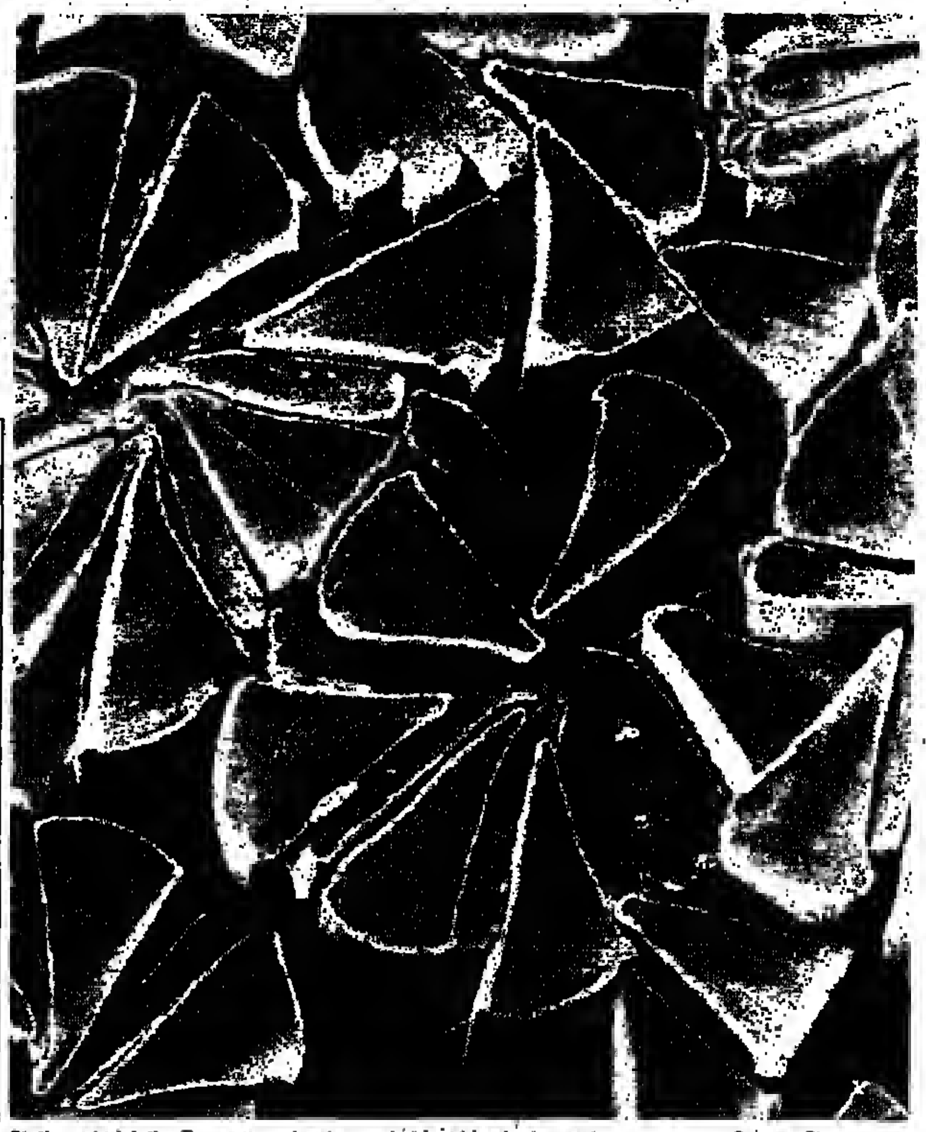
The Austrian company has spent Sch1bn on R&D and Sch1.75bn on its new factory. It says: "There is room left for a 10 to 15 per cent downwards move on price but no more because the demand for that fibre is very strong and it's a very expensive business. We can't, at the moment, give away money because we have to pay back our expenses for development."

The market for lyocell is et present barely one twentieth of that for viscose. But thet may cbange as the lyocell price comes down and the viscose industry diminishes further. Mr Wilkinson says: "There ere today five prodncers of viscose. I can't see any possibility that five producers can survive in the longer term. I think there is bound to be some form of industry contraction. That could take two forms. It could be as the result of voluntary closures or it could be through mergers and acquisitions."

Lenzing thinks that European capacity will be further rednced by 15 per cent. "We expect e further decline in the consumption of rayon, maioly because the spinning industry is still shifting capacity to other countries, especially in Asia," it says.

"Overcapacity is being ebsorbed by the development of the Asian textile industry. In Europe and North America the industries are clearly declining and the pattern will go on."

Michael Peel



Static material: the European polyester market is, at best, stagnant *Science Photo Library*

Polyester sector cuts its cloth to fit

Producers see mergers and acquisitions as the best way to maintain profits

The price of polyester has plummeted because of overcapacity introduced in Asia in response to a steady increase in demand in the region for the fibre.

The decline has been so marked that some producers have already decided that the only way to stay profitable is to acquire other manufacturers or merge operations.

The world polyester market is worth about $30bn. Capacity grew by 7 per cent last year as production increased by the same proportion to 12.9m tonnes. The manufacture of polyester now accounts for 54 per cent of world textile fibre production.

These promising results triggered an over-reaction from Asian producers. In China production of polyester staple fibres rose last year by 14 per cent, while production of filament yarns increased by 21 per cent.

Jackie Ashurst, chemicals industry analyst for Goldman Sachs, says: "Clearly high growth demands led people to over-expand and that led to a sharp reduction in the number of profitable producers."

Companies in countries such as China and Malaysia are expected to continue to bring large volumes on stream to respond to increasing demand from the spinning industry in the Asia-Pacific region, which has tried to take advantage of prices as low as $1 per kilogramme of polyester.

European companies have suffered because they have not been well placed to serve this rapidly expanding market. Taiwan, for instance, exported 80 per cent of the 2.7m tonnes of chemical fibres it produced last year to other Asian countries.

By contrast, western European polyester staple output decreased 10 per cent last year, while filament production fell 2 per cent in line with depressed demand in Europe. "It's a question of setting plants where the demand growth is and that has been Asia," says a chemicals industry analyst.

"It's like the rest of the chemical industry: you get surges of capacity being built ahead of demand. The heart of the problem is that it's sensible to site plants in Asia which are Asian owned and that brings pressure on the European producers, who have been used to exporting into European markets."

The decline has left European chemicals companies downbeat about future prospects. Austrian producer Lenzing says: "Prices are not very satisfactory because only a small number of polyester fibres are making money. We are not expecting the situation will change significantly in the next couple of years."

Consultants Chem Systems predicted in February that overcapacity would continue to depress prices and margins. And William Harris, president and chief executive officer of Trevira, the global fibres business of Hoechst and the world's largest polyester producer, said in March: "For us, the European polyester business remains stagnant and, even, shrinking."

This outlook has not deterred some Asian producers from adopting an aggressive strategy of trying to buy into the European industry.

Indorayon is thought to be on the lookout for further acquisitions of fibre producers following its purchase of the viscose business of the Finnish Kemira group.

"People are expecting that in Asia there will be some coupling in the industry," says another analyst.

"One or two companies are interested in getting out of the fibre business and focusing on other businesses. There are rumours that other Indonesian companies want to get more market power in the fibre business."

Some leading producers have already started to buy manufacturing capacity from competitors who have decided that polyester manufacture does not form part of their core business.

The US group DuPont recently bought the terephthalic acid (TPA) manufacturing business of ICI. TPA is a raw material for polyester manufacture.

DuPont bought the polyester production capacity of the UK group a few years previously and the latest move means the company will not be reliant on Asian TPA at a time when some analysts had predicted that exports of TPA from Asia to the US and Europe were set to increase sharply. "With the growth in polyester fibre we are planning we would have had to buy a lot more TPA," says Ned Jackson, vice-president and general manager of Dacron, DuPont's polyester business. "Now we will have enough for all our future needs."

Michael Peel

AGROCHEMICALS • by Vanessa Houlder

Non-organic growth

Acquisitions and joint ventures are the agrochemical flavours of the month

The agrochemicals industry is trying to reinvent itself, in tha face of changing technology and intensifying cost pressures.

The large agrochemicals companies are investing billions of pounds in small and medium sized biotechnology companies in the bope of accelerating their own transformation into life sciences companies. At the same time, they are attempting to cut their cost base by pooling their marketing resources through mergers and joint ventures.

The technological pace in the industry is being set by a move towards genetically engineered plants that will be more resistant to disease, insects, drougbt, pollution and herbicides.

For example, the transgenic soyabeans, which Monsanto first made available last year, were altered by inserting DNA from a common soil micro-organism into the genetic structure, making them resist Monsanto's own herbicide.

In many cases, groundbreaking research of tbis sort is the preserve of small biotechnology specialists. By acquiring these companies, the large agrochemicals companies are ensuring that they gain control of the technology. At the same time, the large established companies can use their marketing muscle to get the new technology to market more quickly.

Examples of these deals include last year's agreement by Agrevo, the joint venture between Hoechst and Scbering to spend $550m on a 75 per cent stake in Plant Genetic Systems, a small Benelux genetic research concern with sales of just $5m.

In April, Monsanto, the St. Louis based chemicals and life sciences company, completed its ecquisitioo of Calgene, a pioneer in fruit and vegetable research. Another recent deal was DuPont's decision in August to invest $1.7bn (£1.07bn) in Pioncer Hi-Bred International in the US in return for a 20 per cent stake.

The industry believes that the trend towards transgenic crops is unstoppable, according to Julia Beck, managing consultant at Gemini Consulting. "The anticipated share in the year 2000 is 10 per cent to 15 per cent of the agrochemicals market and by the year 2005 the market potential is estimated at $6bn," she says.

There are doubts, however, about some of the new partnerships. If tbe recent acquisitions are to prove successful both parties will have to adjust. The small biotechnology companies will have to become more commercially aware and sensitive to safety standards, while tbeir larger partners will have to learn to protect the working culture tbat spawns innovation.

Companies will also have to become more sensitive to the attitude of consumers, particularly in Europe. The introduction of the Monsantu soyabeans and genetically modified maize developed by Novartis, the Swiss life sciences group, to resist tbe corn-borer pest, bave proved intensely controversial.

Allan Woodburn of Allan Woodburn Associates, an Edinburgh-based agrochemical market research specialist, believes tbat the potentially adverse reaction of consumers to transgenic crops may significantly undermine the value of tbe biotechnology acquisitions.

In his view, the wave of biotechnology acquisitions have been largely driven by defensive reasons, as companies try to stop their rivals getting access to important technologies. The real value of the acquisitions has yet to be proven, he says.

Deal-making witbin tbe industry has oot been confined to acquisitions of biotechnology companies. In response to stagnant growth and intensifying competition, large companies have combined their forces to try and cut costs. Most notably, Hoecbst and Scbering formed Agrevo as a joint venture in 1994; in 1996, Ciba and Sandoz merged to form Novartis.

These moves took place against a backdrop of a slowdown in the market for agrochemicals, wbich has declined rapidly from its double digit growth in the 1970s. In the early part of the 1990s, the market actually shrunk as the reforms of the Common Agricultural Policy took hold, reducing the proportion of land in Europe under cultivation.

Over the last few years, there bas been some recovery. Wood Mackenzie, tbe Edinburgb-based analysts, estimates that in 1995 the world agrocbemical market grew by 5 per cent in real terms; in 1996 it grew by 3.6 per cent to £31.3bn. 1997 promises to show reasonably good growth, at least in the US and Europe, it says.

Margins have also improved significantly in recent years because companies have successfully controlled their costs, according to John McDougall of Wood Mackenzie. Companies bave cut their staffing levels and reduced tbeir distribution costs, often by transferring responsibility for distribution into the bands of specialist companies.

But companies remain under pressure to reduce their costs still furtber. Mucb of the recovery of recent years is due to factors outside the Industry's control, such as robust commodity prices and relatively good weather. These are "a bonus for the industry and not a long term trend" says Mr Woodburn, who predicts modest growtb in future sales.

Marketing agrocbemicals is expensive - typically accounting for some 20 per cent of sales revenues. The difficulty for agrochemicals producers is that they have to sell their products to a diverse, conservative and cost-conscious market.

At the same time, the industry is facing steep inflation in the cost of new product development and particularly in registration costs. In 1995, annual industry investment in new product development bad reached $3bn and was growing twice as fast as the market, according to Gemini Consulting.

These factors have underpinned the consolidation of the industry, whicb is now dominated by 10 large players which account for almost 80 per cent of worldwide sales. But analysts agree that more deals are likely.

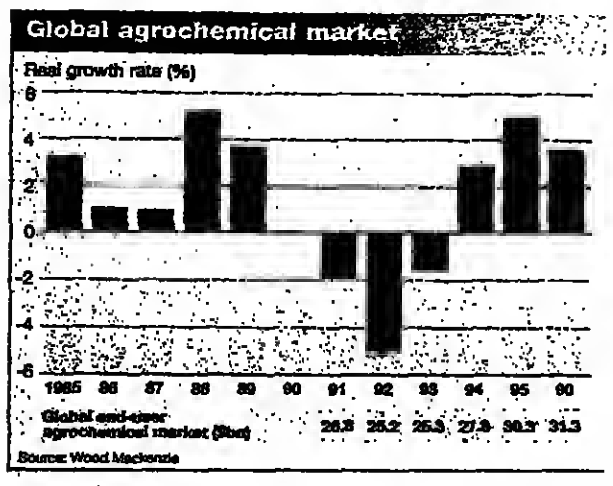
Mergers and joint ventures are the inevitable result of tha escalating costs of researcb and marketing, according to Mr Woodburn. "There will be further consolidation amongst the top 10 to 15 companies," be says.

A hill of beans: Monsanto has produced transgenic soyabeans

Small wonder: biotechnology research firms are much in demand

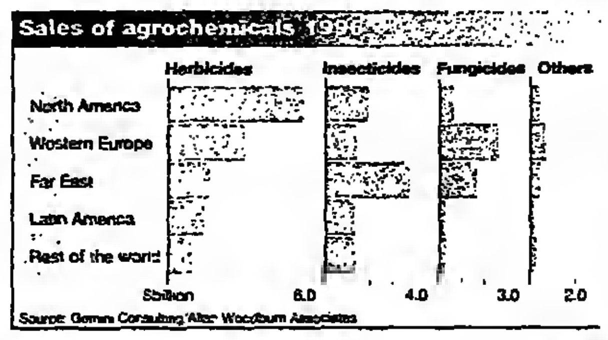
Science Photo Library

Global agrochemical market



Source: Wood Mackenzie

Sales of agrochemicals 1996



Source: Gemini Consulting/Allan Woodburn Associates

PROFILE ICI PAINTS • by Ian Hamilton Fazey

Watching paint fly

ICI Paints aims for global coverage and 30 per cent returns by the millenium

Paint bas become more critical to Imperial Chemical Industries than ever in the company's history. Before the demerger of Zeneca, paint accounted for seven per cent of the old ICI group profit. It is 23 per cent now and has become crucial to improving financial performance.

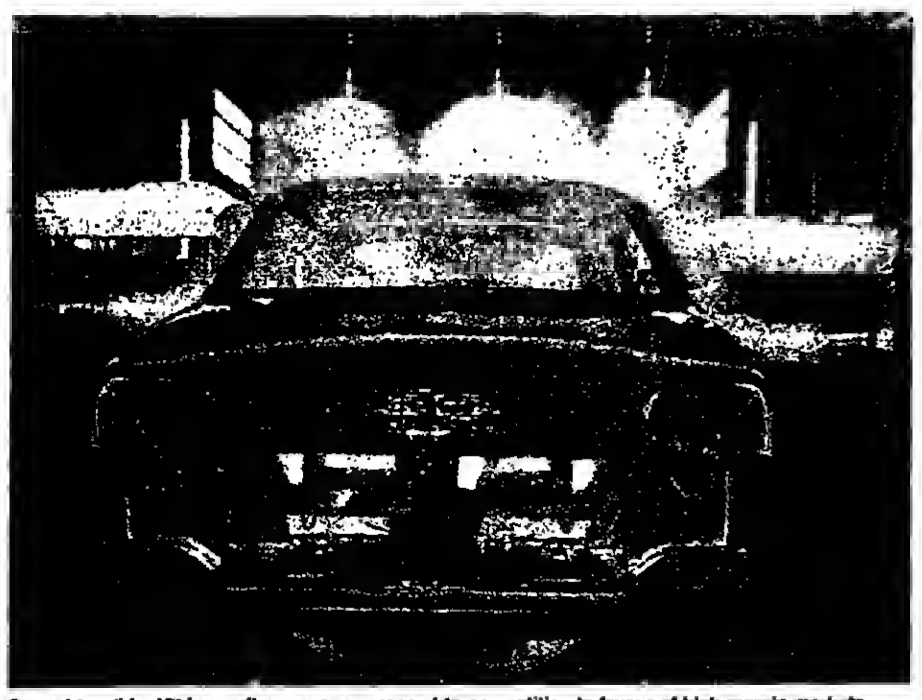
Moreover, ICI Paints has been ordered to climb a mountain by Mr Charles Miller Smith, who was appointed ICI's chief executive two years ago with a brief to shake up the group. The paint business's annual average return on net assets for the past decade has been 18 per cent. Many in the industry regard this as, at least, reasonable - and some wish they could do as well. Mr Miller Smith wants the returns at a regular 30 per cent before the millennium.

The man charged with this task is Mr Peter Kirby, who succeeded Mr Herman Scopes as chief executive of ICI Paints in 1995. Mr Scopes had presided over ICI's emergence as the world's biggest paintmaker during the previous 10 years, but had not been rewarded with a seat on the ICI main board and decided to retire.

The change at Slough, where ICI Paints is headquartered, is palpable. This was a business that mirrored the "imperial" part of ICI's name. Slough was the centre of a world painted increasingly dark blue - the corporate colour - as ICI expanded by acquisition. There was a strong element of expatriate control, with visiting potentates fanning out to far parts of the empire. Mr Kirby has rapidly changed things.

ICI Paints is now run by a widely-scattered team consisting of a Brazilian, who looks after the Mercosur region, a Malaysian Chinese woman, who looka after Asia, an American, a British planner and a Scots-Canadian, all captained by Mr Kirby, a Johannesburg-born Australian wbn moved from his home in Melbourne to take the job, unencumbered by years of British-based corporate conditioning. Only Mr Kirby and Mr John Thompson, the business's chief planner, are based in Slough.

The team meets en masse, in person, once a quarter but holds frequent videoconferences. ICI Paints is now run globally. Mr Kirby questioned whether Slough should remain tha world HQ but, since it is 20 minutes from London's Heathrow Airport, Slough is as good as anywhere else.



Spread too thin: ICI has quit areas over-exposed to competition in favour of high margin markets

None of this detracts from Mr Scopes's achievements. He led the ploneering stage of development; a new approach is needed now.

ICI mada its most significant leap forward in paint in 1986 wben it spent $550m acquiring Glidden of the US. Both were in the world's top 10 league as paintmakers, but ICI had a big geographical hole in its markets by not being in the US. Glidden brought ICI US market share, thereby making it a genuine world player.

Other chemicals giants were in the same race: for example, BASF of Germany was similarly acquisitive in the Americas, while PPG of the US was breaking out of its domestic market in the opposite direction. Courtaulds has used its great technical atrength in marine paints to dominate the niche worldwide.

Driving this rush for empire was the process of globalisation, particularly in automotive markets. Global manufacturers wantad global suppliers. Moreover, entry costs were rising. "It costs $300m to set up a new laboratory to service the automotive industry. It is no wonder there are no new entrants into the sector," observes Mr Neville Petersen, chief executive of Courtaulds Coatings.

It was not just about getting bigger, however. The paint business is highly segmented. Half is concerned with decorative or architectural paints, but the rest of the market is made up of high technology industrial coatings for niche users.

ICI Paints was spread too thin. It dropped out of the paints used for agricultural, construction and earthmoving equipmant, for instance, as well as aerospace coatings. For five years it persevered with a joint venture with Du Pont to try and break the grip of BASF, PPG and Herberts - a subsldiary of Germany's Hoechst, Europe's largest chemicals group - on car factory paint shops bnt, in 1994, left. DuPont to carry on alone.

Now ICI is in only three paint sectors - decorative, vehicle refinish (or VR, products used for car paintwork repair) and peckaging, which is mainly concerned with cans, which not only have to be decorated on the ontside, but coated internally with a thin layer of inert lacquer to stop the metal of the can contaminating the contents.

In general, high technology, specialised niches provide good margins, wbile decorative coatings are high-volume products and are much nearer the commodities end of the paint business. Many paint giants - notably PPG, Courtaulds and Herberts - have exited decorative markets altogetber. The question is whether ICI now has enough muscle to achieve 30 per cent on net assets given its products and market mixes.

Geographical spread - but in depth and in emerging as well as mature markets - will be essential, enabling ICI to sell its superior decorative products to more people. Mr Kirby says that in mature economies, the paint industry grows at three-quarters of the rate of growth of gross domestic product. In developing countries, growth is between one-and-a-half and twice the rate of gdp. South American and Asian markets are therefore the key to high and higber returns, although its is equally necessary to strengthen share in mature economies, if only to try and keep prices stable.

Witb tbis in mind, Mr Scopes initiated the purcbase of Grow, another large US paintmaker, just before be retired, plus a smaller one, to improve ICI's share of US decorative markets to 15 per cent. Since theo, Bunge has been acquired to provide a way into South America and more recent purchases have been made in Puerto Rico and Vietnam. An attempt to buy into India's Asian Paints last month has so far been repulsed.

ICI's strengths in paint are both technical and managerial. The company is widely respected in the industry for its consumer marketing skills and distributive knowhow. Mr Kirby's team runs VR and packaging - the two industriel niches - as self-contained businesses in their own right. Decorative markets are organised geographically and run by local nationals, attuned to local culture but versed in ICI marketing skills.

Car repairers are being trained at ICI centres in more than 30 countries, new factories have been opened in China and Thailand, to complemeot others in Pakistan, India, Malaysia, Singapore, Indonesia, Taiwan, the Philippines and Vietnam. There are research and development laboratories in Malaysia, Slough and Strongsville, Ohio.

With the global framework in place all now depends on the people running the businesses. Mr Kirby thinks they will succeed, not least because of the way ICI Paints has changed the way it runs itself. "Brits have very creditable flexibility but sometimes lack determination," he says. He believes that the multinational structure has plugged any weaknesses.

RESEARCH • by Hugh Aldersey-Williams

Buckyball yet to kick-off

It is a frustrating time for fans of the fullerene as applications are proving elusive

It's not often that a scientific discovery is sufficiently distinctive for the discoverers to suggest commercial applications at the outset.

It happened more than 100 years ago with Wilhelm Röntgen's discovery of X-rays. And it happened in 1985 when Professor Harold Kroto of the University of Sussex and Professors Richard Smalley and Robert Curl from Rice University in Houston announced a third form of the element carbon which they called buckminsterfullerene.

Last year the three were awarded the Nobel Prize for Chemistry in recognition of the find.

The two familiar forms of carbon are diamond and graphite - one a rigid three-dimensional lattice, the other flat sheets.

Buckminsterfullerene is a molecule of just 60 carbon atoms. They are bonded in a pattern of hexagons and pentagons that wrap around to form a spherical cage.

With the shape and symmetry of a football (and the geodesic domes of Buckminster Fuller) this new form of carbon has renewed interest in chemistry in schools and research laboratories alike.

To the scientist, this shape and symmetry immediately suggest certain properties. Kroto and his co-workers already had evidence that it could act as a cage for other atoms. They speculated that a fluorinated version - a spherical analogue of Teflon - might function as a lubricant molecular ball-bearing.

It was five years until it was possible to make fullerenes in sufficient quantities to test these ideas. Some potential applications showed themselves to be impractical. The fluorinated molecules were destroyed by the slightest moisture, for example.

Other prospects took their place. The most glamorous of these was the finding of AT&T Bell Laboratories that suitably treated fullerenes became superconductive at relatively high temperatures. In 1991, scientists at NEC Corporation in Japan added to the excitement when they found that you could make tubes as well as balls of carbon. But unlike X-rays, both the fullerene balls and these "nanotubes" continue to resist attempts at exploitation - to the growing frustration of researchers.

"In superconductivity, it doesn't quite have an advantage in any direction," admits Dr Don Bethune at IBM's Almaden Research Center in San Jos, California. The superconducting behaviour does not occur at temperatures as high as that of liquid nitrogen, which would greatly increase applications potential. At the lower temperature of liquid helium, other things are much more developed.

This predicament is typical of the broader situation. The question is: do fullereoes or their derivatives yet do anything better than something else? The answer so far has to be no.

"Given the wide variety of fullerene morphology, their unique chemical and physical properties and the unsurpassed amount of research being conducted, it is strange that no commercial applications have surfaced," says James Withers of MER Corporation in Tucson, Arizona, one of a number of small companies that have set up to sell fullerenes and related chemicals for research purposes.

The league table of most promising applications changes constantly. Today, much interest focuses on using nanotubes as a reusable honeycomb medium for the storage of hydrogen. This may be useful either in alectric cells where hydrogen ions carry an electric current or in fuel cells where hydrogen is released to be burned. Storage of explosive hydrogen in a solid matrix of carbon nanotubes would be safer than liquefied gas.

Unfortunately, although the capacity of nanotubes to absorb hydrogen is high, it would still require 100 kilograms of the material to store enough fuei for a 250-mile car journey. With such nanotubes currently $15 a gram, it would be an extremely expensive car.

"There are obviously economic hurdles in somathing like hydrogen storage. If that panned out, it could be a billion-dollar thing," says Dr Bethune

Fullerenes can be converted into diamond which has many industrial applications. But again, fullerenes themselves need to be much cheaper for it to make sense to use this route.

A miscellany of other possible uses stem from less predictable properties. Certain fullerena-containing media function as "optical limiters", transmitting light in a way that is not simply proportional to its intensity. Such a medium might be of use in welding goggles or in optical computers that use light rather than electrons to process data.

The area with perhaps the greatest unexplored potential concerns fullerene chemistry. By breaking one or more of the bonds on the fullerene surface it is possible to add other chemical groups of known function. Tha unusual shape and chemistry of the product might have pharmaceutical potential. At the University of Oxford, Professor Malcolm Green has used nanotubes as tiny test-tubes which could hold catalysts or as a mould for making quantum crystals of semiconductor materials.

Tha likeliest applications increasingly tend towards the specialised - controlling the passage of light, for the tips of scanning electron microscopes, nano-test-tubes. Broader applications may only come into their own when production costs fall. Withers predicts that prices will tumble by a factor of 10 by the end of 1998.

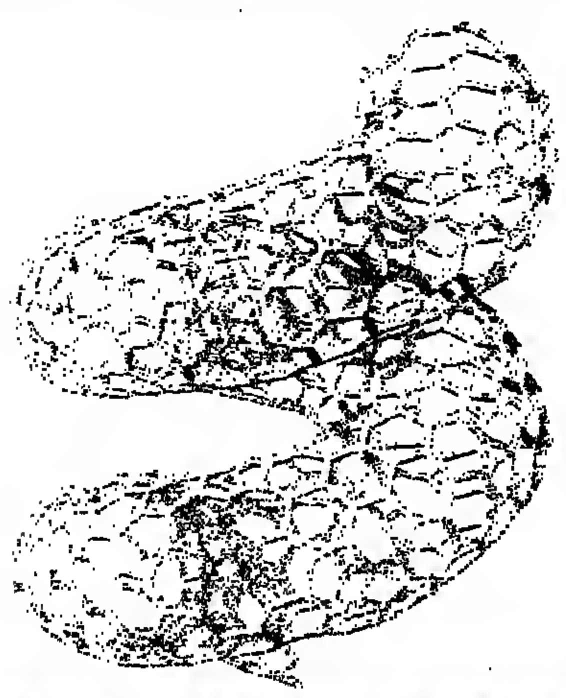
The buckminsterfullerene story perfectly illustrates the foolishness of funding research in the expectation of predictable results and a rapid return on the investment. Its discovery was serendipitous - the scientists were trying to model conditions of interstellar space in order to explain certain spectral signals detected there, in other words about as pure research as you can get. In the months and years after the discovery, Professors Kroto, Smalley and Curl could only make the new molecule in minute quantities - too little to explore possible applications.

The only other people with apparatus capable of making fullerenes in this way at the time was a team at Exxon Corporation in New Jersey. In 1984, this group failed to explore the implications of what they observed in a similar experiment. But like others in the energy sector, Exxon has since invested heavily in applied fullerene and nanotube research.

In 1990, it was a different team of scientists - again not funded specifically for tha purpose - who made the breakthrough that enabled fullerenes to be made in quantity. When applications do finally come forward, they too may spring from a surprise quarter.

Professor Kroto believes his discovery will bear fruit. "It doesn't do anything at the moment, but it's a beautiful molecule and in the 21st century it might."


Professor Kroto: "It doesn't do anything at the moment but it's a beautiful molecule and in the 21st century it might."


Tube delays: no viable use has emerged for buckyball nanotubes

UK CONSTRUCTION INDUSTRY

Companies are seeing recovery from recession, but although order books are strong these extra workloads have yet to be translated into healthier profits. Andrew Taylor reports

Output is the envy of most Europeans

Construction output, having languished in the UK for much of the 1990s, is now poised to outstrip most of its main continental European rivals.

There is even talk of British construction workers returning from Germany, where output is forecast to dip further next year, the third annual fall in succession.

Pressure on European governments to curb public spending to ensure they satisfy the Maastricht criteria for European monetary union has undermined continental construction – particularly in Germany, which also has high social costs following reunification of the country.

Euroconstruct, a federation of industry and economic forecasting bodies from 15 countries, in June predicted that western European construction output would rise by just 0.4 per cent this year, having fallen by 0.7 per cent in 1996. Output is expected to recover by only 1.5 per cent next year.

German output fell by 2.7 per cent in 1996 and is predicted to decline by 0.8 per cent this year and by a further 0.2 per cent next year.

Prospects for French construction have improved following the socialists' success in the recent parliamentary elections. Even so, French construction output is forecast to fall by a further 1.3 per cent this year before rebounding by 3 per cent next year as measures to reverse sharply rising unemployment take effect.

The daregulatad British economy, with its flexible labour markets and curbs on public spending, is performing better by comparison with some of its main European rivals.

This improvement is feeding through to construction markets where UK construction output is predicted to rise at an annual rate of 3 to 4 per cent this year and next before slowing to 2½ to 3 per cent in 1999.

The independent Construction Forecasting and Research (CFR), which prepares the British forecasts for Euroconstruct, predicts that annual output will rise to £55.7bn by the end of the century, beating the previous peak of £55.3bn in 1990.

However, the industry faces a massive task in turning this increase in workload into a corresponding improvement in profits.

Margins earned by main contractors remain very thin. Taylor Woodrow, which last week reported a 43 per cent rise in first-half pre-tax profits – driven mainly by its UK and Canadian house building operations – generated operating profits of just £2½m, before reorganisation costs in its construction division. And this on turnover £807.4m.

John Laing's construction division over the same period daliv-ered profits of £1.7m on turnover of £530.9 – a margin of just 0.3 per cent.

Sir Martin Laing, chairman, says: "Our target is to increase this to 2 per cent, helped by reducing the amount of work we win on competitive tender and shifting towards more negotiated work and partnering arrangements with regular customers.

"One of the biggest changes in the industry in the last seven years has been the greater awareness of both public sector and private sector clients that customers and the industry need to work more closely together to ensure that construction is carried out more efficiently and that those who do tha work are adequately rewarded."

Tha UK ministry of defence and the environment department recantly launched initiatives aimed at forging closer relationships with contractors and sub-contractors to reduce public sector building costs by at least 30 per cent.

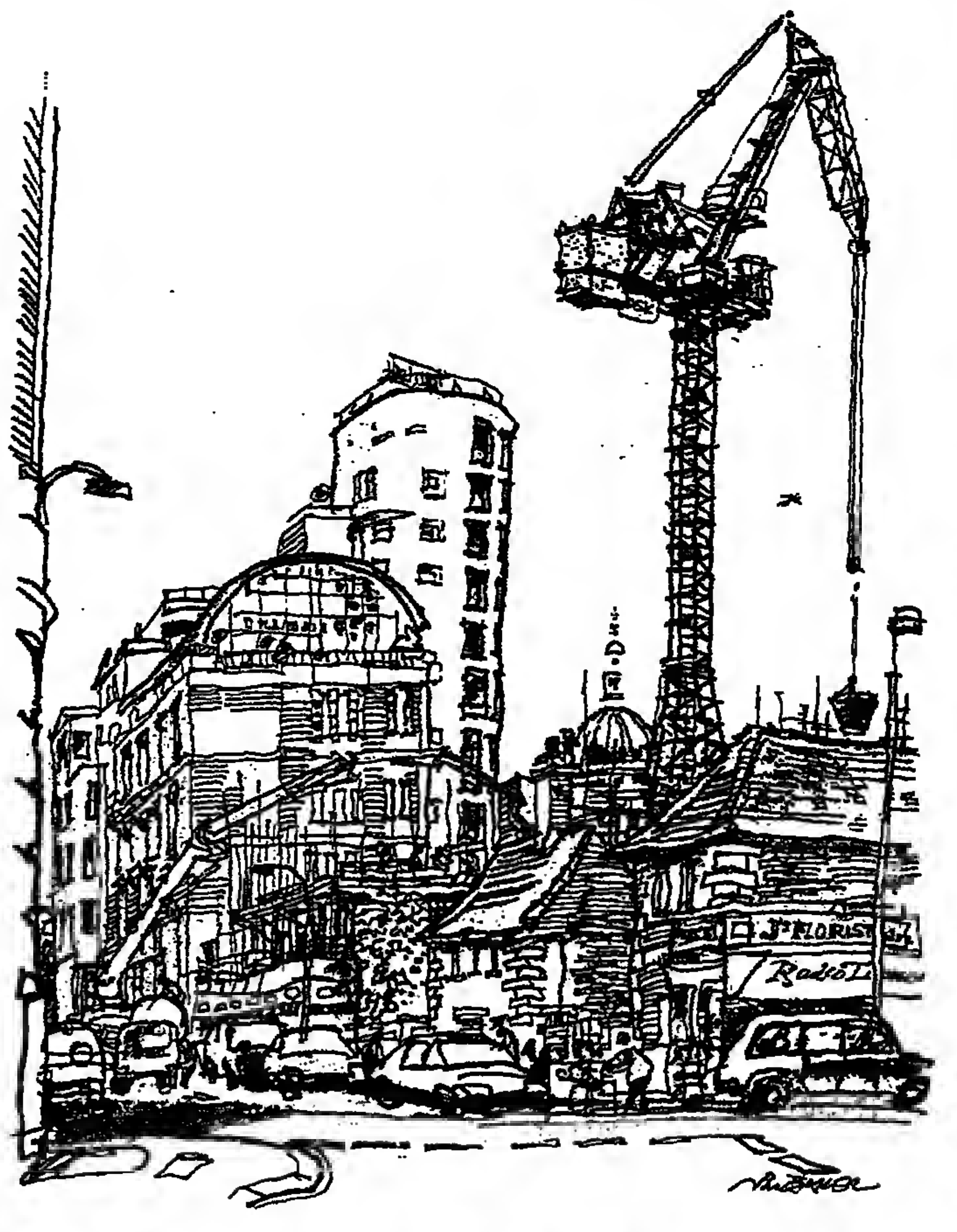
The moves follow a review of the industry's performance carried ont in the early 1990s by Sir Michael Latham on behalf of the industry and government.

Building Manager of the Year awards, announced this week by the Chartered Institute of Building (see Page 4) emphasise the gains which can be made when customer, main contractor and sub-contractors work closely together to produce a first class result.

There are concerns, however, about potential capacity constraints in an industry which shed approaching half a million jobs, more than a quarter of its labour force, between 1989 and 1996. Building material producers also cut capacity, prompting fears that imports may be sucked in as demand increases particularly if sterling remains strong.

According to the environment department, the value of building materials exports fell by 9.5 per cent in the first three months of this year to £888.3m, compared with £981.1m in the final quarter of 1996. It was the first time for 12 months that the quarterly value of exports had dropped below £900m.

Concern that costs – particularly the price of housing land – will rise faster than builders can raise their prices is reflected in the sector's lacklustre stock market performance. Building shares underperformed the market by 13 per between March and the beginning of August. and have since recovered by only 5 per cent.



Cost pressures so far appear limited to south-east England, where the housing market revival has been strongest.

Wages of bricklayers and carpenters have risen by more than one-sixth in south-east England during the past 12 months, according to Hays Montrose, the industry's biggest recruitment agency.

Middle management wages also have risen as the industry has struggled to cope with rising demand. Permanent appointments, particularly of site managers, are running at an even higher level than during the late 1980s, says Robert Smith, managing director of Hays Montrose.

He blames job losses and a lack of training by companies for emerging skill shortages. The Construction Confederation recently called on the government to to use windfall taxes to boost training to alleviate future skill shortages in the industry.

IN THIS SURVEY

The confederation plans to increase the number of 18 to 25-year-old trainees from 30,000 to 40,000 over the next three years.

Cost pressures are emerging elsewhere. Building material producers, particularly in sectors such as cement, concrete, bricks and plaster board where supply is dominated by a handful of large groups, are determined to recover margins when the market allows. Sub-contractors similarly will want to increase returns.

House builders have already warned of large land price increases, particularly in central London where house prices have risen steeply in the past year.

Steve Morgan, chairman of Redrow Group, warned last week that house prices in the capital were in danger of overheating. He said the company would be very cautious about buying further tracts of land there on the basis of further big house price rises.

"I am not suggesting that central London prices will fall, just that the pace of recovery cannot continue at its present rate." he said.

Outside Loodon the recovery has been more modest, encouraging the view that the latest

Continued on Page 4

2 UK CONSTRUCTION INDUSTRY

PRIVATE FINANCE INITIATIVE • by Andrew Bolton

Infrastructure's foundation

Contractors seize opportunities as the government removes some of the obstacles

This year, privetely-financed infrastructure has emerged as an established and growing source of work for Britain's construction industry. Private finance projects worth around £1.6bn are now under construction. These range from road projects such as the widening of the M40 to prisons and light rail schemes such as the extension of London'e Docklands Light Railway.

Construction of others, including hospital schemes worth £890m and the £3bn Channel Tunnel Rail Link between London and Kent, are expected to start during the next 18 months.

These projects are a legacy of the last Conservative government's Private Finance Initiative (PFI), devised by Norman Lamont in 1992 when he was chancellor of the exchequer, to lever private money into projects normally funded by the taxpayer.

Under the PFI, private contrectors design, build, finance and operate public facilities under long-term concessions. In return, the public sector pays en operating fee based on usage or availability payments.

Consortia normally include construction companies and businesses with operational or facilities management expertise. These companies invest around 20 per cent of the finance needed to pay for the construction work, usually raising the rest from banks or tha capital markets.

Although the PFI was a Conservative idea, the new Labour government has embraced it, too. Like its predecessor, Labour recognises the need to fund public sector projects with private finance so it can hold down public expenditure.

The PFI's progress was slow under the Conservatives, largely because of the complexities of putting together financially viable and legally workable PFI concessions for the first time.

Contractors have thrown resources at making it work because public spending cuts have starved them of conventional public sector work. They nevertheless complain bitterly that projects are costing them millions of pounds to put together, with no guarantee thet concessions would be awarded.

Contractor confidence in the PFI has grown in the last few months as more projects have reached the construction stage and the new government has acted to unblock the log-jam of unsigned deals.

In the weeks after the general election last May, the new governmant pushed through legislation confirming the legal powers of National Health Service trusts to sign PFI deals. The legislation removed a vital obstacle to the PFI in the health eector which had failed to yield a single signed contract. It reassures investors in projects that NHS trusts cannot stop paying consortia by claiming PFI deals fall outside their legal powers.

The new legislation revitalised the PFI in the sector, leading to the award of a contract to build a new £137m hospital in Dartford, north Kent, to a Tarmac-led consortium. More hospital deals are expected before Christmas, with projects such as the £193m Norfolk and Norwich Hospital and a £35m hospital scheme for High Wycombe and Amersham expected to follow.

Labour has also strengthened state efforts to get the PFI off the ground across the board. Geoffrey Robinson, the government's paymaster-general, has recruited Dresdner Kleinwort Benson'a head of project finance, Adrian Montague, to head up a treasury task force to drive forward more deals.

Significantly, Labour has also begun to prioritise some projects and scrap others in an attempt to focus efforts on schemes which are most likely to go ahead. This has meant scrapping the planned refurbishment of the treasury's own headquarters in central London and all but 14 of the leading hospital projects in favour of more socially desirable projects to rebuild schools and hospitals.

This has been well received by contractors, who have often called for projects to be prioritised to prevent them from wasting money on dead-end bids.

"The PFI process has been cumbersome and difficult, but the approach of tha new administration has appeared to be businesslike and promises to speed the delivery of projects," says Richard Clampett, managing director of Amec's PFI arm, Amec Project Investments.

For some construction companies, the PFI offers an opportunity to make reasonable profits from a steady workload. "PFI projects have effectively given us a two-year work load," says Neil Ashley, tha chairman of Amey, the contracting and facilities management group. His company is already involved in the £200m privately-financed extension of the M6 motorway into Scotland, the upgrade of the A69 road, and the construction of the new Croydon Tramlink in south London.

But while some people see a big future in PFI projects, others are more cautious. Keith Clarke, chief executive of Kvaerner Construction, believes that contractors have only pursued the PFI and invested in projects because of a need to boost flagging construction work.

"In PFI, the central role of contractors is of a designer and builder, and that's what the industry does best," says Mr Clarke. "Their role as long-term equity players must be seriously doubted if the market comes back."

Mr Clarke believes that PFI projects load extra risk on to contractors who are only prepared to take it while the overall construction market is relatively weak. Having said that most of the major contractors, including Kvaerner, Balfour Beatty, Taylor Woodrow and John Laing, are involved in those PFI projects which have already been let.

Profit as well as workload is a significant attraction for contractors who generally expect to make more from PFI projects because they are effectively working for themselves. As equity investors, contractors expect their consortia to award them construction work and in some cases facilities management contracts. As they are then protected from direct competition for this work the theory is that margins should be better than those for conventionally procured work.

Multi-disciplinary contractors such as Amec, Tarmac or Amey are also well geared to winning facilities management contracts which will be lat by PFI consortia when projects reach the operational phase.


Work on a $3bn link between the Channel Tunnel (above) and London may start in about 18 months

INDUSTRY FORECASTS • by Andrew Taylor

The industry is feeling bullish

Question mark over interest rates is one cloud in an otherwise sunny sky

The outlook for UK construction is the brightest for almost a decade, according to industry forecasts.

The value of total annual output at constant 1990 prices is predicted by the independent Construction Forecasting and Research (CFR) to rise to £55.7bn by the end of the century, beating the previous peak of £55.3bn in 1990.

Private sector investment in housing, leisure and other commercial activities is expected to lead the upsurge, according to CFR, which previously provided research for the National Economic Development Office.

Its bullish view is shared by the National Council of Building Material Producers (BMP), representing 2,000 companies with a combined annual turnover of more than £20bn. It predicts that output will rise to £56.1bn in 1999, just short of its 1990 peak.

Both forecasting bodies highlight special factors which will increase spending on construction over the next few years.

These include the release of funds from the National Lottery and investment in projects to celebrate the new century, including the proposed Millennium Dome in London.

Add to this increased investment in the privatised railways and higher spending generally on infrastructure, under the government's Private Finance Initiative (PFI), and the outlook does indeed look good for the industry.

The release of capital receipts held by local authorities should help spending on public sector projects, an area which previously had suffered under the Conservative government.

Current worries include reduced spending on the roads programme, which Labour seems likely to continue, and concerns that inflation could increase, prompting further rises in interest rates. This would place renewed pressure on mortgage holders and slow the pace of the current housing market revival.

CFR says: "The strength of consumer spending constitutes the main risk to forecasts. If the savings ratio were to fall in the manner seen in the late 1980s, more draconian policies may be in prospect."

Its predictions assume that annual retail price inflation will be 2.8 per cent this year and 2.9 per cent in 1998, falling to 2.5 per cent in 1999.

BMP expects inflation to be slightly higher at 3 to 3½ per cent over the next three years, with base rates rising to a peak of 8 per cent next summer before falling back to 6¾ per cent by the end of the century. Both bodies predict that growth in private sector housing output will, after rising by 12 per cent this year, slow next year to between 2 per cent (BMP) and 4 per cent (CFR) before dipping by 1 to 2 per cent in 1999.

However, these predictions are difficult to reconcile with plans announced by many of the large home builders which expect to increase sales substantially over the next two years. Much will depend, as the forecasters suggest, on movements in interest rates.

Investors in house building companies also will need to be assured that rising land prices and building costs will not outstrip what so far has been more modest house price increases – at least outside central London and its immediate environs.

Big increases in construction output, however, are forecast in the private commercial sector, where strong demand for leisure facilities is expected to lift output by at least 10 per cent in each of the next two years.

There has been an explosion, says CFR, in demand for entertainment facilities such as multiplex cinemas. It expects commercial output to rise by 28 per cent over the next three years. This would still leave private commercial output some 15 per cent lower than its peak in 1990 when the commercial property market was at its zenith.

Infrastructure work, some of which is expected to be included in private commercial figures sector, is forecast to rise steadily over the next three years.

Several large railway projects are either under way or in the pipeline. Projects include the completion of the Jubilee Line underground extension in London, the Channel Tunnel rail link, and improvements to the west coast main line.

Increases in railway work, gas and electricity projects will more than offset e decline in spending on roads. The impact of windfall taxes on former public utilities is unlikely to affect output until towards the end of the period, the forecasters say.

Equally, the release of capital receipts by local authorities will take time to work through to increased public sector house building. Repair and maintenance work is likely to be a more immediate beneficiary of the change in government policy.

The recent weakening in business confidence has cast a shadow over forecasts for industrial output, says BMP. Manufacturing prospects have been damaged by the strengthening of sterling, which recently has been trading against the DMark at close to its old ERM level of DM2.95.

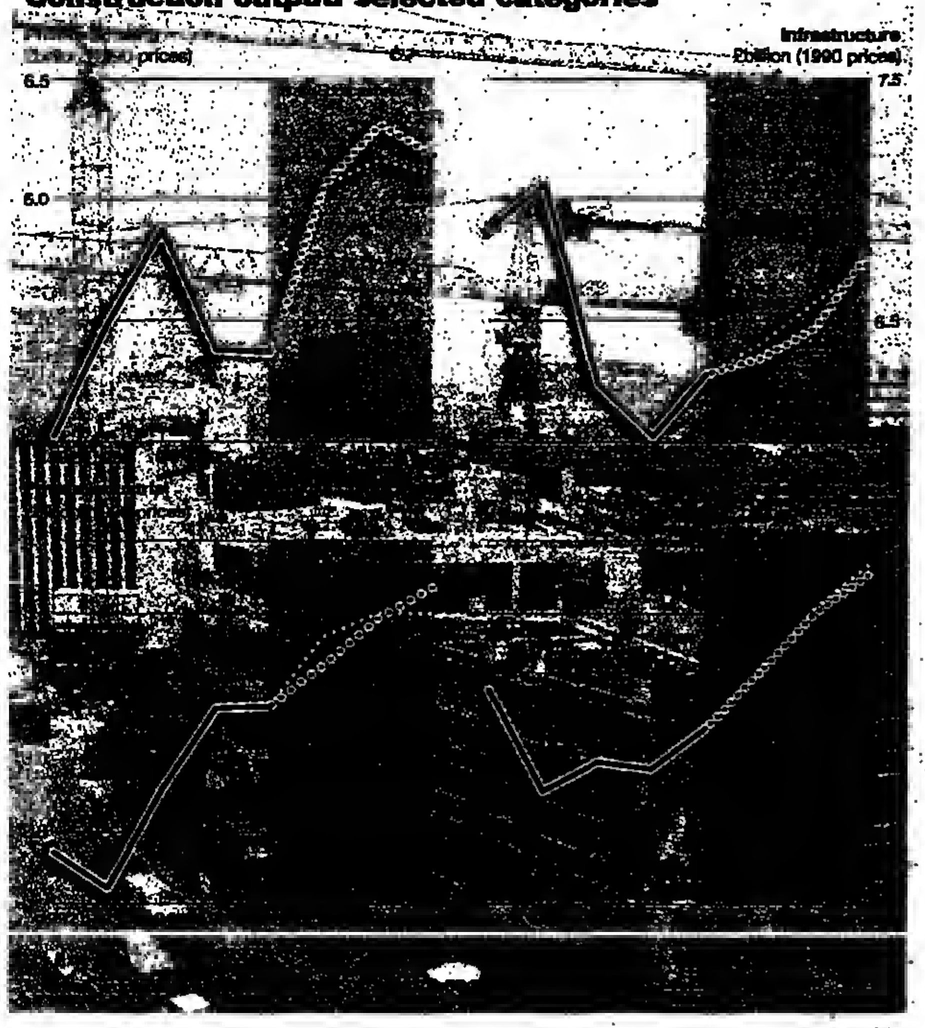
It expects industrial output to rise by 6 per cent this year but only by 2 per cent next year and to stand still in 1999.

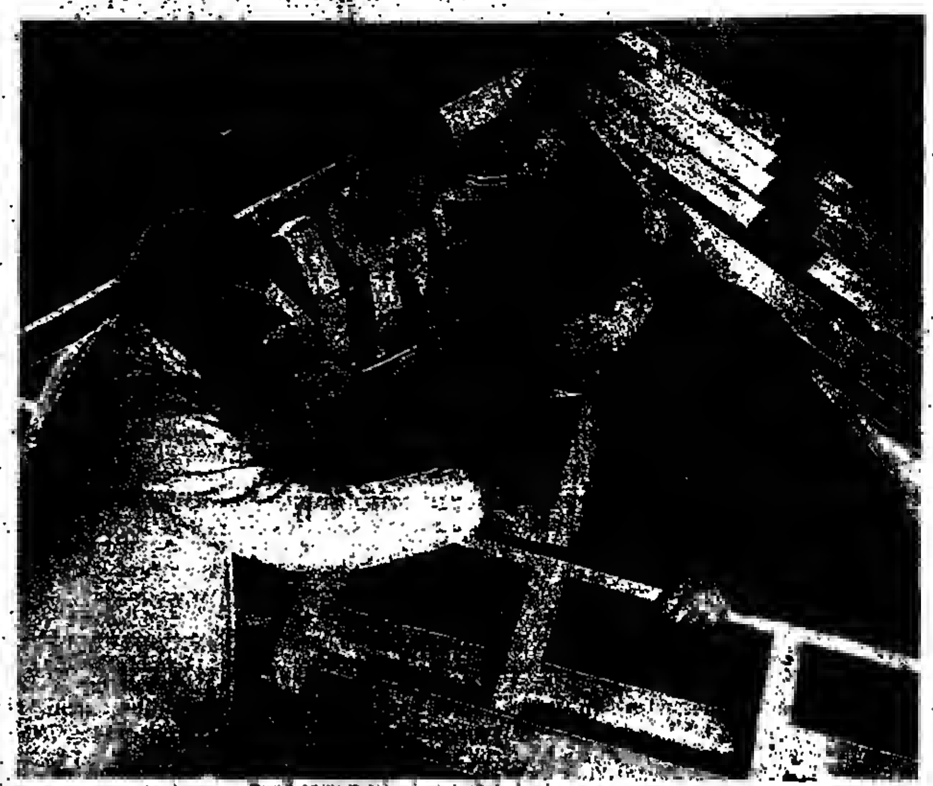
CFR, however, takes the view that inward investment by overseas groups will buttress this sector. It forecasts industrial output rising by just 3.5 per cent this year, increasing by a further 4 per cent next year and rising by 2 per cent in 1999.

Repair and maintenance led by the private and public housing sectors is forecast by CFR to rise over the next three years at an annual rate of 2.8 to 3 per cent and by 2 to 3.5 per cent by BMP.

The figures may differ in individual sectors but both aets of forecasters agree that the industry output is set to rise sharply over the next few years. It remains to be seen whether gains in volume sales can be translated into higher profits.

Construction output: selected categories




The CITB has called for support of a 'back to basics' style of apprenticeship

TRAINING • by Graham Anderson

Young and skilled in short supply

Poor conditions and low pay are cited as reasons for recruitment difficulties

Gordon Brown, the UK chancellor of the exchequer, has made much of his and the government's commitment to tackling youth and long-term unemployment.

Labour's much-trumpeted welfare-to-work programme could – if it works – do far more than simply shorten the queue of unemployed; it could also help to solve, or soften, what is promising to be a desperate shortage of young recruits and skilled labour in the UK construction industry.

A government announcement giving details of how the government's "new deal" will affect construction is expected shortly.

Industry leaders hope that as many as 10,000 construction training places could be involved. They are also keen that money provided under the "new deal" should lead to proper, full-time jobs. To have thousands of ill-motivated youngsters spending a few weeks in the industry before moving on would not help anyone.

If anything, the construction industry's desire to make the "new deal" succeed has been heightened since the general election last May. There is now little doubt that construction is facing a skills and training crisis.

Official figures show a dramatic decline in the numbers of 16 to 19-year-olds working in the industry, fewer than half the 1990 figure. Although construction is not long out of recession, already there is anecdotal evidance of "hot spots" around the country where companies are struggling to find the necessary site workers or are having to pay higher-than-expected wages to complete contracts. There is also evidence to suggest that the shortages will affect most of the skilled trades, from steel erectors and bricklayers to plasterers and joiners.

But if the problem is easy to identify, the solutions are not. Hugh Try, chairman of the Try group and also of the Construction Industry Training Board (CITB) – one of just two statutory training boards to have survived Thatcherism – believes construction companies must move away from the traditional image of the apprentice. With competition for youngsters from the service industries growing, he says the industry must be prepared to take on as apprentices young adults as well as 16-year-olds and also try to recruit more women and young people from ethnic minorities.

Mr Try and the board have also asked contractors to support a "back to basics" approach and a return to traditional structured apprenticeships, albeit from a wider social base.

Mr Try says: "Employment from day one in a structured apprenticeship scheme with commitment and backing from an industry-wide body – which I think would have to be the CITB – would be a good message for parents and young people. We have to realise that the soft option of the youth training scheme, which enabled us to take young people virtually free and without commitment in the first year, promotes a system where we are likely to get many of the least suitable."

But even more worrying than the industry's failure to attract young people is its failure to retain them. According to the board's annual report, the drop-out rate from construction training schemes is running at 50 per cent in some parts of the country. Ted Willmott, the CITB chief executive, says that two key factors are outside the board's controls – [illegible] site conditions [illegible] small builders [illegible] recently, he [illegible]: "For [illegible] pay you give these people – it's outrageous. They pay people more in McDonald's. And the conditions on site are just not up to standard."

Privately at least, such views are shared by a growing number of the big contractors. What is also clear is that the number of construction companies genuinely committed to training is nowhere near enough.

There are, of course, success stories. Among the contractors, Shepherd and Morrison have excellent records. Mace, the project management concern, is also widely respected for its commitment, as is Kawneer, a cladding company that sells and installs through a dealer network but insists that all subcontractors are trained to its own standards.

But there are many businesses which believe it is easier and cheaper to poach trained staff from rivals, and there are many who evade paying the statutory CITB levy. Last year, the board tracked down more than 11,000 companies which had tried to avoid paying the levy.

But if the CITB is critical of large parts of the construction industry, there are many who are equally critical of the CITB. In early September, the National Specialist Contractors Council, which represents 5,000 specialist construction companies, said its members would withdraw support for the CITB unless it delivered better value for money.

An irony well understood by contractors is that the industry faces the prospect of the highest workloads for years while at the same time possibly not having sufficient skilled labour to carry out that work.

The Construction Industry Training Board is allowed to raise a levy from the industry to fund its activities. Its work includes some direct training and the promotion of construction careers, but most of its effort goes into advising individual companies how to train and pay for training.

EQUIPMENT • by David Taylor

Machinery has key to efficiency

The faithful backhoe loader has come a long way over the years

Construction, like any other industry, is constantly searching for productivity and efficiency. Given the depths of this decade's recession, and the huge impact it has had on construction, pursuit of these twin aims is keener than ever.

However well streamlined the design, procurement and programming of a building or civil engineering project, there always remains the risk of coming unstuck when site work begins. Construction equipment manufacturers have a vital role to play here.

As a general rule, the guiding principle of all construction plant design and development has been to produce a machine which will do more, and do it quicker and more cheaply, than before.

The backbone of the construction site is still the earthmoving machine – be it an hydraulic excavator, mounted on tracks or on wheels, a loading shovel, or the ubiquitous backhoe-loader, a machine pioneered in this country by JCB over 50 years ago.

Although today's machines are essentially similar to their early ancestors, their performance and productivity bears little resemblance.

The backhoe loader, for example, began as an agricultural tractor with a mechanical loading bucket bolted to the front and a digging arm on the back. The basic configuration remains unchanged, but now these machines come with an array of attachments for special jobs and are fitted with highly sophisticated hydraulic circuits which will automatically select the optimum engine speed and power output for the work in hand.

"Most developments revolve around making sure fewer people are involved; in other words, at saving manpower," says David Barrell, director of the Federation of Manufacturers of Construction Equipment and Cranes (FMCEC).

Keith Jones, director of the Manchester-based manufacturer Fermec, agrees. "Everyone's looking for super-efficient machines," he says. But he points out that there are other considerations. Fermec, like every other manufacturer, has to consider what Mr Jones calls "the cost of ownership".

"It's not just a question of how much a machine can do or how quickly it will work," he says. "People are now looking at the total cost of a machine, not just its up-front cost." Increasingly, plant manufacturers are competing less on machine specification, and more on the quality of their after-sales service, the cost, and availability, of spare parts; and on re-sale value.

Just as there is little, in absolute terms, to choose between the various makes of executive saloon car, an excavator from, say, Caterpillar will not necessarily be noticeably more productive, better made or fuel efficient than a Komatsu, a JCB or a Samsung equivalent. "It's all the peripherals which really make the difference," says Mr Jones.

Since by far the largest proportion of construction plant in the UK is hired rather than owned outright by the contractor, buyers have a powerful incentive to buy the latest equipment with which to attract customers. They also need reliable equipment – downtime is phenomenally expensive, especially if it brings all work on site to a standstill.

It is no longer unusual for a site to depend very heavily on one item of plant. Obtaining maximum utilisation from a machine is now more important than ever, so it makes sense to produce equipment which is as versatile as possible.

Reliable equipment is vital: a failure can bring a whole site to a standstill

This, in part, is why the backhoe loader remains so popular. But it is also why another type of machine, the telescopic handler – which two decades ago was a rarity on construction sites – now rivals the backhoe loader as the industry workhorse.

Like the backhoe, the telescopic handler started life on the farm. A four-wheeled vehicle with a telescopic boom similar to that of a mobile crane, the telehandler was invented as a method of handling straw bales and pallets of fertiliser bags. Instead of a hook on the end of a rope, the machine's boom carried a pallet fork. And as more building materials started to arrive on site packed on pallets, instead of loose, the telehandler soon found plenty of construction work.

David Bell, managing director of JCB's materials handling division, says: "The market is extremely strong, particularly in construction. Where people would have used a small mobile crane, now they use a telescopic handler. When you need to do some light earthmoving, a telehandler with a bucket attachment will do the job. One machine can do the lot."

Because modern construction machines are worked so hard, and for such long hours, the comfort of the operator is paramount. Working on the principle that a happy machine operator is also a productive operator, manufacturers now build into their machines a level of comfort rivalling that of a luxury saloon car. The seat and all controls are now commonly adjustable in three dimensions; air conditioning is almost as basic a requirement as heating; and a top-quality stereo compact disc and radio system is offered by most manufacturers.

What is believed to be the world's largest excavator, a German-built O&K mining shovel delivered this month to the Canadian company Syncrude, takes this provision almost to the limit. The 800-tonne RH400 will work miles from any permanent settlement and its operators, working in 12-hour shifts, have a rest-room complete with clothes chest, coffee machine, microwave oven and refrigerator – all built into the machine.

Mr Jones at Fermec believes that future developments will lift some of the burden of skill from operators. Electronics can help reduce the physical and mental effort required as well as improving reliability of the machine itself, he says. These days, people are looking for machine operators to be able to jump out of one machine and straight into another; if it requires less skill to operate different types of plant, significant savings in manpower can be achieved.

● *The author is features editor of Construction News*

INNOVATION • by Kristina Smith

Wind of change not always felt

Technical skills are found to be in short supply at many companies

Many people have an image of the UK construction industry that those within would very much like to purge: a man wearing a hard hat, low-slung jeans and a cheery smile. They see him as a hard worker, maybe something of a rogue, but definitely not an innovator.

This is not surprising, argues David Gann, professor of innovative manufacturing at the science policy Research Unit (Spro), at the University of Sussex in southern England. "There is," he says, "a great mass of the industry that is not professional, is very poorly skilled, and does not feel the wind of change.

His unit's research shows that of some 200,000 construction companies in the UK, only 2,000 have 15 to 20 professional staff with technical capability.

Construction covers a host of industries – refurbishment, building on all scales, road construction and maintenance to name but a few – and there is innovation, even though 99 per cent of enterprises do not have the resources to research and develop. But innovation in the industry is often unstructured, says Professor Gann. "Most innovation in construction is about solving problems caused by other people in the process." There is a fundamental difference between R&D in the construction industry and R&D in other industries, argues Steven Groak, a director with consulting engineers Ove Arup & Partners.

"If you look at the machines in the kitchen there is a direct line between theoretical research and the product in the shop," he says. "In construction, it is projects themselves which create the demand for innovation."

However, there are a few sectors of the industry where R&D takes a conventional form. Some of the leading suppliers spend large amounts of time and money developing their products. Professor Gann holds up Redland Roof as an example, citing the Redland Total Roof, a factory-finished roof, delivered to site as one component, fully engineered and designed.

Schindler, the lift manufacturer, is another example. It has already launched a lift with a modular shaft – the Schindler Mobile – which it claims can reduce installation time on site by up to 80 per cent.

Both are examples of the move towards prefabrication which has been gathering pace during this decade and is a world away from the system building of the 1960s, says Professor Gann, who adds: "If you harness IT with flexibility in design you end up with a flexible product made with standardised parts.

"We could not do that before; that is the major change of the 1990s."

Graham Raven, development manager for the Steel Construction Institute, points to developments made in light gauge steel which is used for off-site production of buildings for groups such as McDonald's and Travelodge, as one of the steel industry's recent achievements. "Prefabrication is something that has really taken off over the last two years," he says. To make the best use of these technological developments, tha whole process of engineering has to move forward. Companies such as BAA lead the way here, throwing aside traditional contracts, remoulding relationships between the parties involved and the way they do business.

Partnering – shared risk and shared benefits – is also starting to change the face of the industry.

Tied into the evolution of these new business processes is the evolution of the tools that the industry needs to operate them.

"Construction is about managing temporary collusions of companies, and when you have that situation you need good information systems," says Professor Gann.

Information technology is one area where the UK construction industry is making steady progress, pulled together by the Construct IT Centre of Excellence at the University of Salford. The centre was set up in 1995 following a wide-ranging survey of the industry sponsored by the then department of the environment. It led to the publication of Construct IT – Bridging the Gap.

Martin Betts, chief executive of Construct IT Centre of Excellence, says: "We have begun the process of sharing information with each other. Companies are comparing themselves with each other, which shows them that they need to innovate. They are also comparing themselves with other industries, which shows them how much they need to innovate."

The last recession forced contractors to innovate, albeit in a small way. When the jobs were not there for the picking, and the margins were shrinking, companies had to take a serious look at the way they were operating. Some areas of contracting stand out as forward-looking. Colas, the road maintenance specialist, has spent years developing new techniques for resurfacing roads; only now are they coming into their own.

Instead of stripping off the old layers and starting again, Colas' method uses the old materials and rejuvenates them on the spot. This technique uses less new aggregates, takes less time and cuts costs.

● *The author is deputy features editor of Construction News*

PERFORMANCE IMPROVEMENT • by Andrew Pring

Partnering is taking off

This system is seen to improve working relations and boost productivity

Strange things have been happening recently in the traditionally dispnte-riven building industry. Projects are coming in on time, or ahead of schedule They are often under budget, sometimes dramatically so, and final accounts are being settled early.

The key to this quantum leap for the industry – or, at least, certain parts – is to be found in a 1994 government-commissioned report "Constructing The Team", written by the former Conservative MP Sir Michael Latham.

The report was packed with analysis of the industry's besetting sins – adversarialism, lack of trust, poor design managemant, and deliberately delayed payments. Its many proposed solutions inclnded the wholesale adoption of partnaring arrangements between client, contractor, sub-contractors and suppliers.

Quoting in his report the influential client organisation, the Chartered Institute of Purchasing and Supply, Sir Michael said: "Partnering includes the concept of teamwork between supplier and client and of total continuous improvement. It requires openness between partias, ready acceptance of new ideas, trust and perceived mutual benefit. Wa are confident that partnering can bring significant benefits hy improving quality and timeliness of completion whilst reducing costs."

The latter point was of particular interest to clients and contractors. By urging the adoption of a partnering structured management approach to facilitate team-huilding, Sir Michael was endorsing studies which showed that building costs could be cut in the long term by up to 30 per cent, and on one-off projects by between 2 and 10 per cent.

This was heady stuff. Little wonder there has been an explosion of interest in partnering.

An unquantified but sizeable number of projects have now adopted partnering. New co-operative ways of working are taking root.

When assessing the impact of partnering and how deeply it has penetrated the industry's psycha and improved its performance, It is necessary to separate reality from the hype.

As a report on five major projects to be published in November by the University of Westminster's School for the Built Environment points out, there are other factors in play that may be helping improve on-site performance, even in genuine partnering projects.

Westminster's Jamas Barlow says: "Our report has identified soma very significant cost savings, hut it's difficult to disentangle how mnch is dna to partnering or other things going on, such as business process re-engineering or technology improvements, or tha stage of the business cycla in a commercial market.

"A number of clients were already seeking ways of improving their construction procuremant practices before they adopted partnering."

Supporters of partnering may dismiss these as irrelevant acadamic quihbles. They have seen the future and they know it is working. And they can point to a growing body of well-docnmanted major projacts, including those in the Westminster report which show that, for whatever reasons, partnering is producing better working relations and improved productivity.

Driven by enlightened clients, a number of contracting leopards hava changed their spots and sloughed off the old confrontational ways. However, aven partnering's leading apologists accept there is a long way to go before it becomes tha norm and all contractors raisa their game to this heightened level of performance.

Tha verdict of Sir Michael Latham himself is instructive. Expressing disappointment at tardy implementation of the new contractual framework, he says: "I think it's fair to say progress has been better than I expected but not as much as I'd like."

His view is echoed across the building spectrum. Sir Nigel Mobbs, chairman of the developer Slough Estates and chairman of the Reading Construction Forum, marks tha industry's post-Latham progress at "five out of 10".

He comments: "I think its performance has improved in general in the past couple of years. But there's still a great variance in performance across the industry, depending on the quality of the management. There's claarly still considerable scope for improvement. Clients want more value out of their projects."

Peter Appleby, a construction procurement director with the Tesco supermarket group, is even more cautious. "The industry's got 5 per cent down the road towards improvement. It's still in the first flush of youth. But when you think we're up against over 100 years of the old ways. It's going to take time to improve."

A far more upbeat message is to be heard from Patrick McGillycuddy, construction director for the trader-developer Gazeley Properties which procures all its projects through partnering. "There's been a sea change in the industry since Latham and and partnaring," he says. construction industry is now looking at itself as a service industry and tha end-users are now haing called customers. Encouraged by tha major clients, contractors are now adopting a retailing ethos. And there's a growing acceptance that everyone involved is entitled to a decent return.

"It's not perfect yet, hut the level of disputes is declining and it'll become the norm across the industry. In five years we'll have a world model."

While also willing it to snccead, contractors involved in partnering are often frustrated hy client reluctance to share the benefits. Bob White, chief executive of Mace, says: "Some are looking tor the benefits but are not so committed to the relationship that they want to share what comes out of it."

Neville Simms, chief executive of Tarmac, and Sir Martin Laing, chairman of Laing, both support partnering. "It takes away huge chunks of adversarial head-banging," says Mr Simms.

Clients often argue that a mechanism for sharing saved costs is unnecessary: the increased productivity and shorter construction period should be reward enough for a contractor. Further down the contracting chain, few specialists or sub-contractors have yet to see a "peace dividend" from Sir Michael Latham's reforms.

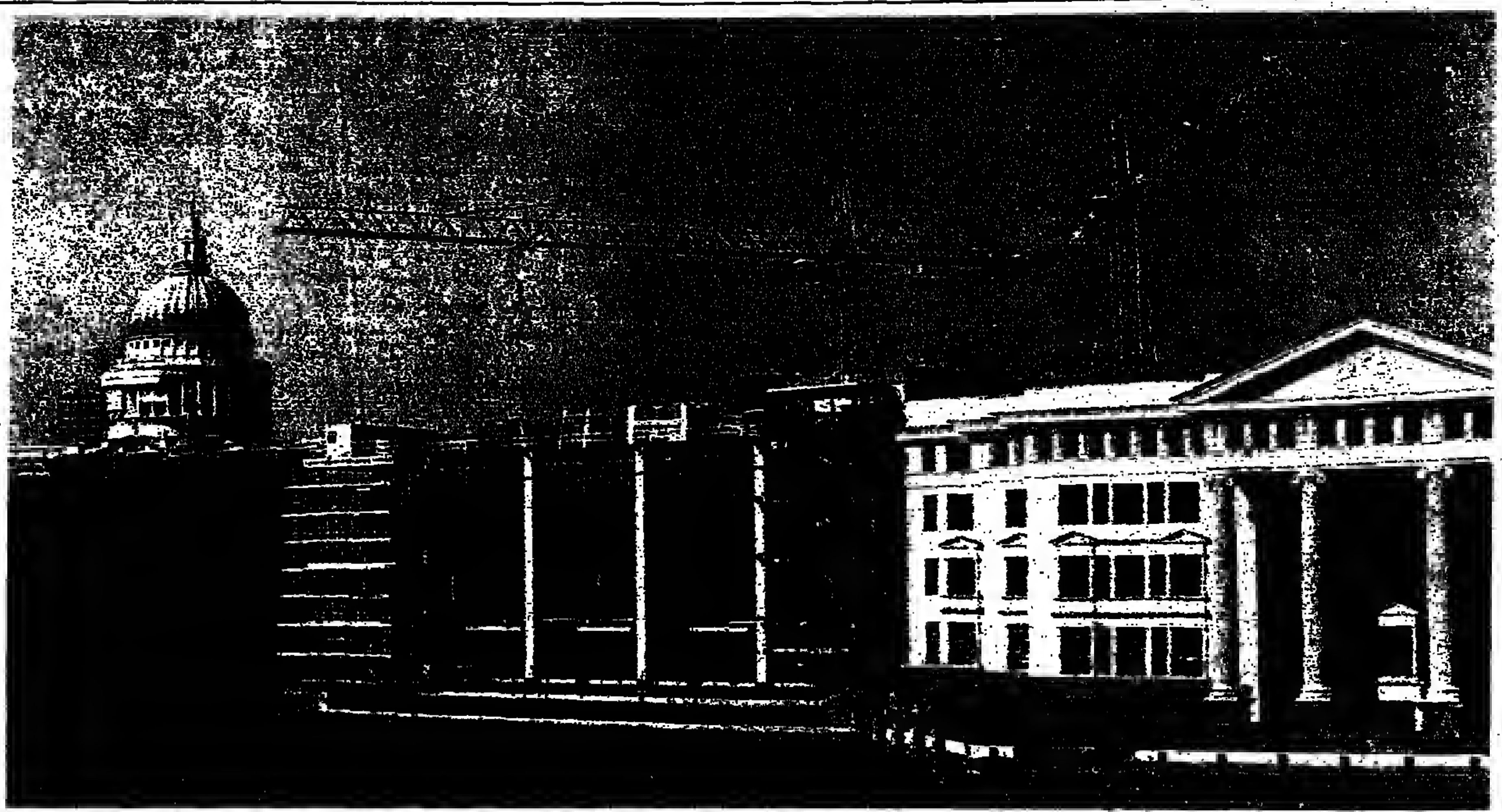
Rudi Klein, chief executive of Specialist Engineering Contractors Group, which represents the mechanical and alectrical sector, says there has been little attempt to involve his members in the partnering team. "The main contractors have been very keen to partner clients but not with their own suppliers," he says. "If I was s partnering client I'd be disappointed the concept wasn't heing applied to all the people working on my project."

Ha has also heen concerned at the continuing demand for performance honds on some partnering jobs. "Not only does it wipe out the specialist's overdraft facilities, it reflects the main contractor's lack of confidence in the other parties. Yet trust is what partnership is meant to be based on. There is still a lot of pessimism about whether partnership is all just talk or really reflects a change in the commercial ethos."

He and many others are pinning their hopes on the new huilding codes to be introduced next year. These are intended to help extend partnering beyond the few unarguably successful projects that have tantalised the rest of the industry.

MANAGING THE RECOVERY • by Andrew Pring

Qualities are put to the test



Cranes looming over the rooftops of central London are a sign that the UK construction industry is returning to better times

Photo: Maya Kardum

Diversification has helped some to emerge from recession in good shape

Contractors are a resilient, adaptable breed, and those qualities have been tested to the full by the recession of the early 1990s and its painfully drawn-out aftermath.

Survival strategies have differed, depending on company size, spread of operations and the chief executive's personal vision (for which, in some cases, read institutional/banking diktat). But two approaches have been most evident.

The majority of contractors have pulled in their horns and focused on core business, cheaply offloading property, plant-hire or their housing divisions in order to free working capital.

Others, often those in better shape to start with, have seized new opportunities to diversify. Facilities management, a niche many contractors once viewed dismissively, has burgeoned due to the same recessional cost-pressures encouraging corporate clients to outsource non-core operations.

Neil Ashley, chairman of Amey, saw the possibilities earlier than most and has taken, among other more mainstream contracting businesses such as Portsmouth's street cleansing on to its books. But there is now a positive feeding frenzy among many other contractors, particularly around former public utilities such as Railtrack and BT.

For the leading contractors, two other escape routes have opened up – the traditional recession tactic of adventuring abroad, and the mould-breaking move into privately-funded infrastructure work at home in the UK. Both are paying off.

Nearly 70 per cent of Bovis's £1.5bn turnover last year was outside the UK, much of it from global clients such as BP. "We are working everywhere except South America, says Sir Frank Lampl, chairman of Bovis. That is now being addressed with a Brazil office opening this year and one in Argentina next year.

Many other British contractors are also abroad in force, with Amec, Tarmac and Balfour Beatty deriving between a quarter and a third of their turnover from overseas.

Some of these projects are boots – build-own-operate-tranefer – schemes, a method of self-investing project-delivery of which British contractors have long experience. This has stood them in good stead for their own government's PFI work, which though plagued by delays is close to achieving critical mass. Building and operating infrastructure can offer attractive investment returns, and Tarmac, for example, has built up a £1bn PFI portfolio of hospitals prisons, roads and schools.

Whatever siza the company, all have been been forced into ruthless job cuts, with many hundreds of thousands of people finding themselves out of work. This attritional phase lasted far longer than in any previous recession, creating along the way a landscape littered with false dawns. Only recently has it become, in the words of Sir Martin Laing, chairman of Laing, "a time for hiring rather than firing".

Equally important to survival has been a new customer focus. Sometimes in the past, the customer was king only until he awarded the contract. Then he took his chances along with everyone else in the building process.

A new and more enlightened generation of contractors such as Neville Simms, chief executive of Tarmac, had long realised this was not the professional way to run a huge sector. As they revamped their companies, they sought "to broaden the offer", as Mr Simms puts it. This has meant getting closer to the client, understanding his needs and delivering cost-effective and often 'one-stop' solutions.

By broadening their offer, contractors can achieve a higher proportion of higher-margin negotiated work. These client-friendly initiatives are part of the ground-breaking drive towards better working relationships, which has found its ultimate expression in partnership, a new performance-enhancing way of building outlined by Sir Michael Latham in his 1994 epoch-making report.

Accompanying this has been a new spirit of professionalism in the way contractors run their business. Hugh Try, chairman of Try Group, says: "The very hard lessons of the past four or five years have been learnt. We are leaner, more efficient, and much more careful about increasing our overheads. And this has given us a new confidence."

Part of the new professionalism is to focus firmly on the bottom line. Mike Welton, chief executive of Balfour Beatty, says: "We concentrate on being a profit-making business rather than just chasing turnover to keep the order book full. Being more selective and conscious of the risk-reward ratio is a cultural change that takes time. People in this industry tend to get excited at the thought of building something. But we're changing."

If success is measured by sheer survival then these strategies have worked. Almost all the big household names are still there, with the notable exception of Trafalgar House, bought for £904m in March last year by Norwegian group Kvaerner.

But margins, though improving in the past year, are still woefully thin at between 1 and 2 per cent for those doing well. Mr Try says: "There are too many people still going in at cost, or just over cost. I don't know why anyone should be doing that in the current market."

Tarmac's Mr Simms puts it more bluntly: "We're simply selling our skills too cheaply. How can we develop and invest for the future if we're not achieving more profit?

"We shouldn't be chasing margins of 3 per cent – we should be achieving 8 per cent margins. But even with those clients who are now partnering, there are too few who understand this."

One other problem haunts some chief executives – the next recession, or as Mr Try puts it, "when to get off the roundabout".

Sir Frank Lampl says his company is now looking "to minimise the impact" of the next downturn, which he says "logically will be after the year 2000. "We have just completed our new five-year plan and we are being very careful. We are worried because so much current work is geared to millienium projects."

Sir Martin Laing remains "cautiously optimistic", and Tarmac's Mr Simms says: "That's what people used to say about the Channel Tunnel – what will you do next? But something always turns up."

BUILDING MANAGER OF THE YEAR AWARDS • by Andrew Taylor

Hannon takes top prize

Laing's project manager sees ways of trimming months from programme

Initiatives to improve construction performance and reduce building costs by 30 per cent have been launched by industry leaders and successive governments in the 1990s – but it is the construction site manager who has to deliver if benefits are to be realised.

The Building Manager of the Year awards, presented this week in London by the Chartered Institute of Building, recognise that it is line officers and the infantry who decide the outcome of battles, not the generals who devise strategy.

The awards, in their 19th year, are sponsored by Calor Gas and Asta Power project in association with the Financial Times.

Overall winner this year is Wilf Hannon, 53, who was appointed project manager 11 weeks into the £19.5m refurbishment of the Fenwicks store in Newcastle upon Tyne when the job was going through a particularly tricky patch.

The contract awarded to John Laing involved substantial demolition, replacing floors, bracing adjacent buildings, and the removal of 9,000 cubic metres of earth through a busy city centre before altering and extending the store – which expected to remain open throughout.

"With so many different types of work to be carried out in different areas of the store at various times the logistics of sequencing work, moving the shop staff, providing temporary sales space and providing safe access for the public, were very complex," says the Chartered Institute of Building (CIOB).

Relations between client and the various construction teams were strained by the time Mr Hannon took over.

Problems were exacerbated when the client proposed to accelerate the works. Mr Hannon, however, proposed to cut 13 months from the programme – at no extra cost – by changing the slow piece-meal excavation of the basement to using mechanised excavators working carefully around the existing steelwork.

Wilf Hannon: his work at Newcastle proved to be a winner

Other innovations included the introduction of a suspended dust-proof platform to allow full public access while a ceiling was replaced above the platform.

The project manager also persuaded neighbouring shops to allow materials to be stored on their roofs, saving time and cost, the CIOB says.

The biggest job facing the project manager, however, was to win the trust of the client and sub-contractors to create an homogeneous team which would co-operate closely to re-programme the work and ensure problems were resolved amicably.

The result was that the project not only won the award for schemes valued at £5m to £25m, but the overall Gold Award as well.

Building manager of the year for projects worth more than £25m was Stuart Lowe, also employed by John Laing, who was project director for a £43m contract for Britannic Assurance'e new headquarters south of Birmingham.

"In order to achieve the quality and performance required by the contract, Mr Lowe insisted that sub-contractors should not be chosen on price alone, but on a combination of price, quality, performance and safety," said the CIOB.

He monitored closely the individual progress of each sub-contractor.

"At a critical stage in the brickwork programme, the brickwork foreman collapsed and died on site and his bricklayers left," said the CIOB.

Mr Lowe persuaded them to return, and "took personal control as brickwork foreman". He persuaded the client to erect a small plaque in memory of the original foreman.

Winner of the category for projects np to £5m is Mr Alex Darvill, employed by Amey in charge of the team building a £1.58m Guide Dogs for the Blind Hospital near Newmarket, Suffolk.

The brief was to build the hospital for small animals with operation theatres, isolation and intensive care units, kennels, cancer unuts, an X-ray theatre, offices and reception area within 44 weeks and the tight budget demanded by the charity.

Establishing a clear construction programme was complicated by design changes introduced after the contract was awarded.

"The non-confrontational relationship fostered by the construction team, attention to detail and willingness to listen and offer practical solutions to site problems, enabled Amey to negotiate a number of additional work packages on site," says the CIOB.

These included installation of a generator to serve the 25-acre site and "export" power back to the national grid, high and low voltage distribution systems, a telecommunications and data network, a new water main and hydrant network, access roads and additional landscaping "all for a further value of more than £1m".

Darvill'e previous experience in building hospitals for small animals assisted the contractor in drawing up tender lists for sub-contractors and assisting in the design of kennel doors developed on a previous job.

Amey has since won a further contract from the client for a £2.5m equine centre A separate Information Technology award, sponsored by Mentor Group, is presented to Phil Budden of Costain civil engineering for carrying out a complete review of the planning function within the company standardising the gronp's approach to planning, improving communications and "contributing actively to the whole project cycle from tender to final account".

Sir Ian Dixon, chairman of Willmot Dixon, was this week awarded a life-time achievement medal by the Chartered Institute of Building, writes Andrew Taylor.

Sir Ian, a past president of the institute, was awarded the medal for his contribution to the industry "not only only for his work in previous year but throughout his career", the CIOB said.

Sir Ian, 58, is currently chairman of the Construction Industry Board and was awarded the OBE for his services to the construction industry in the New Year's honours list. The CIOB emphasised Sir Ian's work in promoting construction as a career for young people.

UK companies see strong output

Continued from Page 1

revival is unlikely to result in a general late 1980s-style boom which was followed by a collapse in both house sales and prices.

Halifax, Britain's biggest mortgage lender, recently scaled back its 1997 forecasts for UK house price inflation from 7 per cent to 6 per cent, following recent mortgage rate increases and tax changes announced in the government budget.

Prospects for a sustained recovery, therefore, look better than at an stage this decade with construction output in the second quarter of this year the highest three-monthly total since 1991, according to the environment department.

Growth in new orders may have slowed bnt output looks set to continue to rise. This will be driven by increased private sector investment in housing and commercial development, release of lottery and millennium funds and higher spending on infrastructure helped by the government's Private Finance Initiative.

The trick will be maximise profits on the back of this increased work.